



Morgantown Sober Living, Inc. dba West Virginia Sober Living

Financial Report

September 30, 2021

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Independent Auditor's Report

Board of Directors
Morgantown Sober Living, Inc.
dba West Virginia Sober Living
Morgantown, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of Morgantown Sober Living, Inc. dba West Virginia Sober Living (Organization), which comprise the statement of financial position as of September 30, 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Morgantown Sober Living, Inc. dba West Virginia Sober Living as of September 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal 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 basic 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 August 15, 2022, on our consideration of Morgantown Sober Living, Inc. dba West Virginia Sober Living's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Morgantown Sober Living, Inc. dba West Virginia Sober Living's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Morgantown Sober Living, Inc. dba West Virginia Sober Living's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Bridgeport, West Virginia
August 15, 2022

MORGANTOWN SOBER LIVING, INC. dba WEST VIRGINIA SOBER LIVING

STATEMENT OF FINANCIAL POSITION

September 30, 2021

ASSETS

CURRENT ASSETS

Cash	\$	73,174
Accounts receivable		117,071
Grants receivable		650,966
Pledges receivable		185,000
Other receivables, related party		33,286
Prepaid expense and other assets		162,490

Total current assets 1,221,987

PROPERTY AND EQUIPMENT

Leasehold improvements		152,581
Furniture, fixtures, and equipment		46,920
Vehicles		15,519
		<u>215,020</u>
Less accumulated depreciation		<u>72,586</u>

Net property and equipment 142,434

OTHER ASSETS

Organizational costs, net		20,389
Security deposits		14,200

Total other assets 34,589

Total assets \$ 1,399,010

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Line of credit	\$	100,000
Demand note, related party		150,000
Note payable, current portion		10,356
Accounts payable		79,370
Accrued expenses		87,547
Program fee deposits		22,000
Deferred revenue		86,121

Total current liabilities 535,394

NOTE PAYABLE, less current portion 426,844

NET ASSETS WITHOUT DONOR RESTRICTIONS 436,772

Total liabilities and net assets \$ 1,399,010

See Notes to Financial Statements

MORGANTOWN SOBER LIVING, INC. dba WEST VIRGINIA SOBER LIVING

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended September 30, 2021

CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS

Income and other support:

West Virginia Department of Health and Human Resources grants	\$ 1,271,115
Contributions	631,548
Program fees	231,344
Other grants	189,815
Other income	121,982

Total income and other support	<u>2,445,804</u>
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Operating expense:

Salaries, wages, and benefits	785,562
Professional and contracted services	568,227
Rent and property costs	239,519
Utilities and technology	134,299
Groceries and supplies	132,378
Equipment and vehicle expense	45,555
Travel and training costs	35,525
Advertising and marketing	20,683
Household items and furnishings	19,129
Interest	12,850
Depreciation	11,077
Other expense	31,055

Total operating expense	<u>2,035,859</u>
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Change in net assets	409,945
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Net assets:

Beginning of year	<u>26,827</u>
End of year	<u><u>\$ 436,772</u></u>

See Notes to Financial Statements

MORGANTOWN SOBER LIVING, INC. dba WEST VIRGINIA SOBER LIVING**STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended September 30, 2021

	Program Services	Administrative and General	Total Expenses
OPERATING EXPENSE			
Salaries, wages, and benefits	\$ 707,532	\$ 78,030	\$ 785,562
Professional and contracted services	518,227	50,000	568,227
Rent and property costs	227,543	11,976	239,519
Utilities and technology	127,584	6,715	134,299
Groceries and supplies	132,378	-	132,378
Equipment and vehicle expense	43,277	2,278	45,555
Travel and training costs	33,749	1,776	35,525
Advertising and marketing	20,683	-	20,683
Household items and furnishings	19,129	-	19,129
Interest	-	12,850	12,850
Depreciation	10,523	554	11,077
Other expense	29,502	1,553	31,055
Total operating expense	\$ 1,870,127	\$ 165,732	\$ 2,035,859

See Notes to Financial Statements

MORGANTOWN SOBER LIVING, INC. dba WEST VIRGINIA SOBER LIVING

STATEMENT OF CASH FLOWS

Year Ended September 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$	409,945
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Depreciation		11,077
(Increase) decrease in assets:		
Accounts receivable		202,098
Grants receivable		(604,030)
Pledges receivable		(185,000)
Other receivables, related party		(33,286)
Prepaid expenses and other assets		(154,118)
Increase (decrease) in liabilities:		
Accounts payable		(356,268)
Accrued expenses		1,114
Program fee deposits		4,750
Deferred revenue		(198,692)

Net cash (used in) operating activities (902,410)

CASH FLOWS FROM INVESTING ACTIVITIES

Acquisition of fixed assets		<u>(40,527)</u>
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CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from line of credit, net		100,000
Proceeds from demand note, related party		150,000
Payments on note payable		<u>(22,966)</u>

Net cash provided by financing activities 227,034

Net (decrease) in cash (715,903)

Cash:

Beginning		<u>789,077</u>
Ending	\$	<u><u>73,174</u></u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid for interest	\$	<u><u>12,035</u></u>
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See Notes to Financial Statements

MORGANTOWN SOBER LIVING, INC. dba WEST VIRGINIA SOBER LIVING

NOTES TO FINANCIAL STATEMENTS

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

Morgantown Sober Living, Inc. dba West Virginia Sober Living (Organization) is a nonprofit organization located in Morgantown, West Virginia. The purpose of the Organization is to offer structure and support for those recovering from drug and alcohol addiction in our region through recovery housing, supportive employment opportunities, and peer support services. Morgantown Sober Living, Inc. dba West Virginia Sober Living, is designed to reintegrate recovering individuals back into the community.

A summary of the Organization's significant accounting policies are as 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 is recognized when earned, and expenses are recognized when incurred.

Management's estimates: The preparation of financial statements in accordance 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 period. Actual results may differ from those estimates.

Economic dependency: The Organization generates a substantial portion of its revenue from the West Virginia Department of Health and Human Resources. Changes in this revenue source could therefore significantly influence the Organization's ability to provide services.

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.

Accounts receivable: Accounts receivable represents amounts owed from contracts with various parties other than state agencies for services rendered. Accounts receivable are reported at estimated net realizable value taking into account implicit and explicit price concessions. The estimated implicit price concessions are based upon management's judgmental assessment of historical and expected net collections considering business and general economic conditions in its service area and other collection indicators on a claim-by-claim basis. Throughout the year, management assesses the adequacy of the price concessions based upon its review of accounts receivable composition and aging, taking into consideration recent experience by category, payer agreement rate changes, and other factors. The results of these assessments are used to make modifications program service revenue and to establish an appropriate estimate for price concessions. Estimated implicit price concessions of approximately \$31,300 have been recorded as of September 30, 2021.

The Organization grants credit without collateral to its residents. As of September 30, 2021, accounts receivable are as follows:

Program fees	\$	25,385
Other receivables		91,686
	\$	<u>117,071</u>

MORGANTOWN SOBER LIVING, INC. dba WEST VIRGINIA SOBER LIVING

NOTES TO FINANCIAL STATEMENTS

Grants receivable: Grants receivable represent amounts billed to state agencies but not paid as of the fiscal year end.

Pledges receivable: Pledges receivable represents amounts remaining due to the Organization from a related party (Note 3).

Other receivables, related party: Other receivables, related party, represent amounts paid on behalf of or loaned to a related party but not repaid as of the fiscal year end.

Property and equipment: Property and equipment are stated at cost for purchased items and fair value for contributed items. Property and equipment whose expected useful life is in excess of one year and cost (or fair value) is above a threshold established by the Board of Directors are capitalized. Depreciation of property and equipment are provided for using the straight-line method over the estimated useful lives of the assets. Normal repairs and maintenance are charged to expense as incurred.

Upon sale or retirement of property and equipment, the cost and accumulated depreciation is eliminated from the accounts and any resulting gain or loss on the sale is included in operations.

Compensation for accrued absences: A liability for compensated absences earned but not paid as of September 30, 2021, has been recognized and is included in accrued expenses on the accompanying statement of financial position. As of September 30, 2021, approximately \$12,600 remained unpaid.

Deferred revenue: A liability has been recognized for amounts billed and received, but not yet earned, from the West Virginia Department of Health and Human Resources.

Program fees: Program fees are amounts received from residents of the program as they reside in one of the homes rented by the Organization. The program fees cover the cost of room, utilities, and house cleaning supplies. For the year ended September 30, 2021, the program fee was \$575 per month for the first 6 months of residency. After six months, the program fee is reduced by a longevity discount to \$375 per month. Discounts of \$200 per month were also given while residents were actively participating in certain time-intensive substance use disorder programs offered by local service providers.

During the year, certain COVID related discounts were provided to the residents when they were not able to participate in work outside the residence due to community spread and closing businesses. Those discounts totaled \$11,765 for the year ended September 30, 2021.

Net assets: Net assets, revenue, and support 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 diminishment subject to the same kinds of stipulations. Other donor-imposed restrictions may be perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. The Organization did not have any net assets with donor restrictions as of September 30, 2021.

MORGANTOWN SOBER LIVING, INC. dba WEST VIRGINIA SOBER LIVING

NOTES TO FINANCIAL STATEMENTS

Functional expense allocation: The program activities of the Organization and the administrative and general costs have been summarized on a functional basis on the statement of functional expenses for the year ended September 30, 2021. The statement of functional expenses present the natural classification detail of expense by function. Accordingly, certain costs such as property and utilities may have been allocated between program activities and administrative and general costs based on square footage.

Income taxes: The Organization is a not-for-profit entity that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue 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 year ended September 30, 2021.

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 September 30, 2021, 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 September 30, 2018, and thereafter remain subject to examination by federal and state tax authorities.

Advertising: The Organization charges advertising costs to expense as incurred. Advertising expense amounted to \$20,683 for the year ended September 30, 2021.

Subsequent events: The Organization's management has evaluated events that occurred through August 15, 2022, which is the date this report is available to be issued, for potential recognition or disclosure.

Recent Accounting Pronouncements

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 the new revenue guidance in ASU 2014-09. Transition guidance is provided within the ASU and generally requires a retrospective approach. In June 2020, the FASB issued ASU 2020-05, which deferred the adoption date of this ASU for all private entities and public not-for-profit (NFP) entities that have not issued their financial statements reflecting the adoption of this ASU. The Organization is currently evaluating the impact, if any, that adoption will have on its September 30, 2023 financial statements.

Note 2. Line of Credit / Demand Note, Related Party

The Organization has a \$100,000 revolving line of credit. The line of credit is unsecured and bears interest at 5.75% as of September 30, 2021. As of September 30, 2021, there was \$100,000 outstanding on the line of credit.

The Organization has received a \$150,000 demand note from the controller, a related party. The note is unsecured and bears interest at 0.00%.

MORGANTOWN SOBER LIVING, INC. dba WEST VIRGINIA SOBER LIVING

NOTES TO FINANCIAL STATEMENTS

Note 3. Related Party Transactions

The Organization leases property from a related party. These homes are the first two homes that were opened by the organization. The related party purchased the property while the Organization was still in start-up with limited resources in order to take the financial burden off of the not-for-profit.

The Organization also contracts with a related business for accounting and payroll services. These services are paid for at market rates, with the goal of the Organization to hire personnel as its financial position allows.

Finally, a related party contributed a substantial amount to the Organization during the year ended September 30, 2021. No goods or services were received in exchange for the one-time gift.

Note 4. Note Payable

The Organization received an Economic Injury Disaster Loan (EIDL) under the Small Business Administration's response to the COVID pandemic. The loan was for \$437,200, accruing interest at 0.00% for twelve months, then 2.75% thereafter. The loan was payable in interest only monthly installments of \$1,868, beginning April 2021, then payable in monthly principal and interest installments of \$1,868 through April 2050. The loan is unsecured.

The following is a summary of the note payable as of September 30:

Economic Injury Disaster Loan (EIDL), note payable in monthly installments of \$1,868, including interest at 2.75%; unsecured; maturing 2050.	\$ 437,200
Less current portion	<u>10,356</u>
	<u><u>\$ 426,844</u></u>

As of September 30, 2021, future maturities due under this loan are as follows:

Years Ending September 30:

2022	\$ 10,356
2023	10,644
2024	10,941
2025	11,245
2026	11,558
Thereafter	<u>382,456</u>
	<u><u>\$ 437,200</u></u>

MORGANTOWN SOBER LIVING, INC. dba WEST VIRGINIA SOBER LIVING

NOTES TO FINANCIAL STATEMENTS

Note 5. Rent and Leases of Offices, Residential Facilities and Other equipment

The Organization leases its offices and residential facilities for periods of one to five years. Rent expense is included on the statement of activities and changes in net assets under rent and property costs. Rent expense for offices and residential facilities is approximately \$177,500 for the year ended September 30, 2021.

Based upon signed lease agreements, rent expense is expected to be as follows:

Years Ending September 30:

2022	\$	156,300
2023		130,675
2024		66,000
2025		45,900
	\$	<u>398,875</u>

Note 6. Concentrations and Risks

Laws and regulations: The nonprofit 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 and grant program fraud and abuse. Recently government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by various entities. 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 grants previously billed.

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.

Note 7. Liquidity and Availability

As of September 30, 2021, the Organization has working capital of approximately \$643,600. Financial assets available for general expenditures within one year of the statement of financial position consist of the following as of September 30, 2021:

Cash	\$	73,174
Accounts receivable		117,071
Grants receivable		650,966
Pledges receivable		185,000
	\$	<u>1,026,211</u>

The Organization has a goal to maintain financial assets, which consists of cash on hand, to meet 60 days of normal operating expenses, which are, on average, approximately \$352,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTES TO FINANCIAL STATEMENTS

Note 8. Worldwide Pandemic (COVID-19)

In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic. The response to the pandemic has severely impacted the level of economic activity around the world. In certain geographic regions in which the Organization operates, temporary closures of businesses were ordered or suggested, and numerous other businesses temporarily closed voluntarily.

The Organization has received no material funding related to the pandemic. However, the pandemic could adversely impact the Organization by causing a greater demand for resources to address substance abuse and other health services.

While it is unknown how long these conditions will last and what the complete financial effect will be to the Organization, the coronavirus outbreak has not had a significant effect on 2021 operating results to date as the Organization has not experienced a decrease in grant funding. However, given the uncertainty regarding the spread of this coronavirus, the related financial impact on the Organization's results of operations, financial position, and liquidity or capital resources cannot be reasonably estimated at this time.

MORGANTOWN SOBER LIVING, INC. dba WEST VIRGINIA SOBER LIVING

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2021

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>Department of Health and Human Services</u>			
Pass-through West Virginia Department of Health and Human Resources:			
State Opioid Response Grants	93.788	G200664	634,763
State Opioid Response Grants	93.788	G210833	238,400
State Opioid Response Grants	93.788	G210724	<u>150,929</u>
Total expenditures of federal awards			<u><u>\$ 1,024,092</u></u>

See Notes to Schedule of Expenditures of Federal Awards

MORGANTOWN SOBER LIVING, INC. dba WEST VIRGINIA SOBER LIVING

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 West Sober Living, Inc. (Organization) under programs of the federal government for the year ended September 30, 2021. 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 the above Schedule, some amounts presented may differ from amounts presented in, or used in, 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 does not seek reimbursement of indirect costs under its federal programs. Additionally, the Organization has never negotiated an indirect cost rate with its cognizant agency. Therefore, the Organization has elected to use the 10% de minimis indirect cost rate.

Note 4. Sub-recipients

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

MORGANTOWN SOBER LIVING, INC. dba WEST VIRGINIA SOBER LIVING

SCHEDULE OF EXPENDITURES OF STATE AWARDS

Year Ended September 30, 2021

<u>State Grantor / Program Title</u>	<u>Grant ID Number</u>	<u>Award Amount</u>	<u>Grant Expenditures</u>	<u>2021 Receivable</u>
West Virginia Department of Health and Human Resources:				
Bureau for Behavioral Health Office of Programs and Policies				
Peer-Operated Recovery Home - Substance Abuse (7/1/2019-4/30/2021)	G200607	\$ 401,999	\$ 157,936	\$ -
Jobs and Hope Peer Recovery Support Specialist (10/1/2020-9/30/2021)	G210792	71,000	71,000	-
Recovery Facility Renovation (3/1/2021-4/30/2022)	G210969	85,000	18,087	-
Total expenditures of state awards		<u>\$ 557,999</u>	<u>\$ 247,023</u>	<u>\$ -</u>

See Notes to Schedule of Expenditures of State Awards

MORGANTOWN SOBER LIVING, INC. dba WEST VIRGINIA SOBER LIVING

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 grant activity of Morgantown Sober Living, Inc. dba West Virginia Sober Living (Organization) under programs of the state government for the year ended September 30, 2021. 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 Morgantown Sober Living, Inc. dba West Virginia Sober Living, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Morgantown Sober Living, Inc. dba West Virginia Sober Living. 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 requirements of the state, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Costs

The Organization does not seek reimbursement of indirect costs under its state programs. Additionally, the Organization has never negotiated an indirect cost rate with its cognizant agency. Therefore, the Organization has elected to use the 10% de minimis indirect cost rate.

**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
Morgantown Sober Living, Inc.
dba West Virginia Sober Living
Morgantown, 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 Morgantown Sober Living, Inc. dba West Virginia Sober Living (Organization), a nonprofit corporation, which comprise the statement of financial position as of September 30, 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 15, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization'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 weakness or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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*.

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.

Baker Tilly US, LLP

Bridgeport, West Virginia
August 15, 2022

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
Morgantown Sober Living, Inc.
dba West Virginia Sober Living
Morgantown, West Virginia

Report on Compliance for the Major Federal Program

We have audited Morgantown Sober Living, Inc. dba West Virginia Sober Living's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on 's major federal program for the year ended September 30, 2021. Morgantown Sober Living, Inc. dba West Virginia Sober Living's major federal program is identified in the summary of independent auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Morgantown Sober Living, Inc. dba West Virginia Sober Living'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 that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about '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 the Organization's compliance.

Opinion on the Major Federal Program

In our opinion, Morgantown Sober Living, Inc. dba West Virginia Sober Living 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 September 30, 2021.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2021-001. Our opinion on the major federal program is not modified with respect to this matter.

Report on Internal Control Over Compliance

Management of Morgantown Sober Living, Inc. dba West Virginia Sober Living 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 of compliance, we considered Morgantown Sober Living, Inc. dba West Virginia Sober Living'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 Morgantown Sober Living, Inc. dba West Virginia Sober Living'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 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2021-001, that we consider to be a significant deficiency.

Organization's Response to Finding

The Organization's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Baker Tilly US, LLP

Bridgeport, West Virginia
August 15, 2022

MORGANTOWN SOBER LIVING, INC. dba WEST VIRGINIA SOBER LIVING

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2021**

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? _____ Yes X 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? X Yes _____ 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:

AL Number

93.788

Name of Federal Program

State Opioid Response Grants

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

Auditee qualified as low-risk auditee? _____ Yes X No

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

MORGANTOWN SOBER LIVING, INC. dba WEST VIRGINIA SOBER LIVING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended September 30, 2021

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Significant Deficiency in Internal Control over the Major Program

Finding number: 2021-001

Criteria: The audit report is required to be submitted to the Federal Audit Clearinghouse no later than nine months after the fiscal year-end.

Condition: During the audit, we noted that the Organization would not be able to meet the filing deadline.

Cause: The Organization exceeded \$750,000 in grant funding and required a compliance audit for the first time in fiscal year 2021. They selected an audit firm who was supposed to begin the audit in April 2022. However, the audit firm did not perform the audit and notified the Organization in May 2022 that they did not intend to perform the engagement. A new audit firm was selected in June 2022, but this did not allow enough time to complete and submit the audit by the original due date.

Effect: The Organization was late filing the audit report with the Federal Audit Clearinghouse.

Recommendation: The Organization should select an audit firm and begin the engagement earlier.

Management's Response: The Organization intends to engage an audit firm prior to the completion of fiscal year 2022, which will allow the audit to begin earlier and allow time for submission prior to deadlines.

MORGANTOWN SOBER LIVING, INC. dba WEST VIRGINIA SOBER LIVING

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended September 30, 2021

None reported.



Washington, D.C 20201

2022-08-25

Report Number: A-03-22-68941

ANNE CHRISTOPHER
MORGANTOWN SOBER LIVING, INC.
206 SPRUCE STREET
MORGANTOWN, WV 26505

Dear ANNE CHRISTOPHER:

We received the audit report on the Organization for the period 10/1/2020, through 9/30/2021. The report was accepted by the Federal Audit Clearinghouse on 8/23/2022 (Report ID: 941451).

There were no audit findings in this report that require formal resolution action by the Department of Health and Human Services (HHS). Please refer to the Attachment, where we have listed findings pertaining to other Federal departments and/or pass-through entities. Other Federal departments may contact you regarding audit findings and/or compliance with Federal audit requirements.

If the audit report has identified going concern issues and/or has adverse or disclaimer of opinions related to the financial statement, then we will recommend closer monitoring and increased attention by grants management staff to protect the Federal interest.

If you have any questions, please contact our office at auditresolution@hhs.gov.

Sincerely,

A handwritten signature in cursive script that reads "Robin Aldridge".

Robin Aldridge
Director
Audit Resolution Division



Attachment

Page 1 of 1

Report Number: A-03-22-68941

The following single audit findings have been identified for resolution by a pass-through entity:

Resolution Agency	Finding Number
Pass Through Agency	2021-001



Report Distribution Schedule

Page 1 of 1

Report Number: A-03-22-68941

List of agency names and addresses for Federal agencies that have findings listed in the Attachment and/or are affected by the findings.