



**SENECA HEALTH SERVICES, INC.**

**FINANCIAL REPORT**

**June 30, 2021**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Seneca Health Services, Inc.  
Summersville, West Virginia

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Seneca Health Services, Inc. (Seneca), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Seneca Health Services, Inc. as of June 30, 2021 and 2020, 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.

## **Report on Supplementary Information**

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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and Schedule of Expenditures of State Awards are presented for purposes of additional analysis and are not required parts 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 March 29, 2022, on our consideration of Seneca'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 Seneca'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 Seneca's internal control over financial reporting and compliance.

*Brown, Edwards & Company, L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS

Charleston, West Virginia  
March 29, 2022

**SENECA HEALTH SERVICES, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**June 30, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 3,571,836	\$ 3,262,553
Restricted cash and cash equivalents	1,140,675	2,075,963
Accounts receivable	854,098	1,127,620
Grants receivable	1,253,043	805,894
Other	152,041	210,165
Total current assets	6,971,693	7,482,195
PROPERTY AND EQUIPMENT, net (Note 3)	4,879,919	3,965,899
PREPAID RENT	-	22,097
Total assets	\$ 11,851,612	\$ 11,470,191
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 140,853	\$ 228,388
Accounts payable - construction	293,201	-
Accrued and withheld liabilities	205,552	257,125
Accrued annual leave	441,928	407,754
Refundable advance	-	499,164
Refundable advance - Paycheck Protection Program (Note 9)	-	1,040,267
Other liabilities	18,755	31,225
Total current liabilities	1,100,289	2,463,923
NET ASSETS WITHOUT DONOR RESTRICTIONS	10,751,323	9,006,268
Total liabilities and net assets	\$ 11,851,612	\$ 11,470,191

The Notes to Financial Statements are an integral part of these financial statements.

**SENECA HEALTH SERVICES, INC.**

**STATEMENTS OF ACTIVITIES**  
**Years Ended June 30, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>OPERATING REVENUE AND SUPPORT</b>		
Net client revenues (Note 6)	\$ 7,326,202	\$ 10,768,141
State and federal grant revenues	3,662,992	3,694,712
Grant revenue - Paycheck Protection Program (Note 9)	1,040,267	1,083,133
Other	248,582	45,880
	<b>12,278,043</b>	<b>15,591,866</b>
<b>OPERATING EXPENSES</b>		
Salaries and wages	6,593,136	9,308,222
Employee benefits	1,657,473	2,075,898
Administrative expenses	645,491	603,812
Contracted services	344,354	493,907
Facility expenses	897,799	770,466
Travel and transportation	87,009	417,780
Depreciation	291,741	213,120
Miscellaneous	27,773	127,361
	<b>10,544,776</b>	<b>14,010,566</b>
Total operating expenses	<b>10,544,776</b>	<b>14,010,566</b>
Operating income	<b>1,733,267</b>	<b>1,581,300</b>
<b>NONOPERATING REVENUE</b>		
Interest income	11,788	47,710
	<b>11,788</b>	<b>47,710</b>
Change in net assets without donor restrictions	<b>1,745,055</b>	<b>1,629,010</b>
<b>NET ASSETS, beginning of year</b>	<b>9,006,268</b>	<b>7,377,258</b>
<b>NET ASSETS, end of year</b>	<b>\$ 10,751,323</b>	<b>\$ 9,006,268</b>

The Notes to Financial Statements are an integral part of these financial statements.

**SENECA HEALTH SERVICES, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES**

**Years Ended June 30, 2021 and 2020**

	<b>2021</b>		
	<b>Health Care Services</b>	<b>General &amp; Administrative</b>	<b>Total</b>
Salaries and wages	\$ 5,402,951	\$ 1,190,185	\$ 6,593,136
Employee benefits	1,289,214	368,259	1,657,473
Administrative expenses	410,167	235,324	645,491
Contracted services	164,657	179,697	344,354
Facility expenses	553,998	343,801	897,799
Travel and transportation	79,780	7,229	87,009
Depreciation	233,393	58,348	291,741
Miscellaneous	25,693	2,080	27,773
	\$ 8,159,853	\$ 2,384,923	\$ 10,544,776
	<b>2020</b>		
	<b>Health Care Services</b>	<b>General &amp; Administrative</b>	<b>Total</b>
Salaries and wages	\$ 7,878,088	\$ 1,430,134	\$ 9,308,222
Employee benefits	1,656,499	419,399	2,075,898
Administrative expenses	462,726	141,086	603,812
Contracted services	290,544	203,363	493,907
Facility expenses	563,673	206,793	770,466
Travel and transportation	405,647	12,133	417,780
Depreciation	156,391	56,729	213,120
Miscellaneous	116,139	11,222	127,361
	\$ 11,529,707	\$ 2,480,859	\$ 14,010,566

The Notes to Financial Statements are an integral part of these financial statements.

**SENECA HEALTH SERVICES, INC.**

**STATEMENTS OF CASH FLOWS**  
**Years Ended June 30, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,745,055	\$ 1,629,010
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	291,741	213,120
Contributions of property	-	(1,512,822)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	273,522	290,067
Grants receivable	(447,149)	(761,429)
Prepaid rent	22,097	26,516
Other assets	58,124	4,149
Increase (decrease) in:		
Accounts payable	(87,535)	(24,548)
Accrued and withheld liabilities	(51,573)	4,215
Accrued annual leave	34,174	(34,774)
Refundable advance	(499,164)	368,436
Refundable advance - Paycheck Protection Program (Note 9)	(1,040,267)	1,040,267
Other liabilities	(12,470)	(22,510)
Net cash provided by operating activities	286,555	1,219,697
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(912,560)	(447,774)
Net increase (decrease) in cash and cash equivalents	(626,005)	771,923
CASH, beginning of year	5,338,516	4,566,593
CASH, end of year	\$ 4,712,511	\$ 5,338,516
<b>CASH IS REPORTED ON THE STATEMENT OF FINANCIAL POSITION AS:</b>		
Cash and cash equivalents	\$ 3,571,836	\$ 3,262,553
Restricted cash and cash equivalents	1,140,675	2,075,963
	\$ 4,712,511	\$ 5,338,516
<b>SUPPLEMENTAL DISCLOSURES</b>		
Acquisition of property and equipment through accounts payable	\$ 293,201	\$ -

The Notes to Financial Statements are an integral part of these financial statements.



**SENECA HEALTH SERVICES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

**Note 1. Description of Organization and Summary of Significant Accounting Policies**

Description of organization

Seneca Health Services, Inc. (Seneca) is a nonprofit, nonstock corporation organized under the laws of the State of West Virginia. The primary purpose of Seneca is to develop, operate, and maintain facilities and services for the mentally ill and mentally disabled in Greenbrier, Nicholas, Pocahontas, and Webster counties in West Virginia.

Basis of accounting

Revenues and expenses are recognized on the accrual basis of accounting. Accordingly, revenues are recognized when earned, and expenses are recognized when the obligation is incurred.

New accounting pronouncements

ASU 2014-09, “*Revenue from Contracts with Customers*” (ASC Topic 606) outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry specific guidance. The new guidance requires entities to recognize revenue upon the transfer of promised goods or services to customers in an amount that reflects the consideration expected to be received in exchange for those goods and services. Seneca adopted the applicable provisions of Topic 606 as of July 1, 2020, using the full retrospective approach, which resulted in no effect on the recognition of revenue for any periods prior to adoption. As a result, any provision for bad debts would no longer be presented in a separate line of the financial statements, but included in net patient service revenue as an estimated implicit price concession. Additionally, the allowance for doubtful accounts was reclassified as a component of accounts receivable and eliminated on the statements of financial position.

Operating income

All activities of Seneca deemed by management to be ongoing, major, and central to Seneca’s operation are reported as operating revenue and expenses. The statement of activities includes operating income as a performance indicator. Changes in net assets that are excluded from operating income, consistent with industry practice, include interest income and gain on sale of assets.

Cash and cash equivalents

Seneca considers all highly liquid investments with original maturities of ninety days or less to be cash equivalents. Accounts with deposit restrictions which are maintained as loan collateral are separately presented as restricted cash and cash equivalents.

Net client revenues and receivables

Net client revenues are reported at the estimated realizable amounts from patients (clients), third-party payers, and others for services rendered. Client revenue is recognized at the time performance obligations are satisfied. Performance obligations are considered to consist of the specific services delivered to each client, and are generally satisfied at a point in time at the completion of the service. Payment is due on demand.

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SENECA HEALTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

**Note 1. Description of Organization and Summary of Significant Accounting Policies (Continued)**

Net client revenues and receivables (continued)

Seneca determines transaction price based on standard rates, reduced by explicit price concessions (contractual adjustments) provided to third-party payers and implicit price concessions provided to uninsured clients. Explicit price concessions under third-party agreements represent the difference between the Seneca's standard rates and the contractual reimbursement amount established with the third-party payer. Implicit price concessions are estimated based on its historical collection experience.

Net client revenue includes estimated revenue adjustments in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known. Adjustments arising from a change in transaction price were not significant as of June 30, 2021 or 2020.

Substantially all accounts receivable are from Medicare, Medicaid, or other third-party payers. 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. For receivables associated with services provided to clients who have third-party coverages (which included clients with deductibles and payment balances for which third-party coverage exists for part of the bill), Seneca analyzes contractually due amounts and price concessions based upon its review of accounts receivable payer composition and aging, taking consideration recent experience by payer category, payer agreement rate changes, and other factors. The results of these assessment are used to make modification to patient service revenue and to establish an appropriate estimate for price concessions. Accounts receivable are reported net of estimated implicit and explicit price concessions.

After initial recognition, accounts receivable are subject to impairment assessments attributable to subsequent adverse changes in a payer's ability to pay, and any material losses resulting from payer credit risk rather than price concessions are recognized in bad debts.

Property and equipment

Property and equipment are stated at cost. Major purchases and improvements are capitalized while repairs and maintenance are expensed as incurred. Depreciation is recognized over the estimated useful lives of property and equipment using the straight-line method. Estimated useful lives are as follows:

Buildings and improvements	7-40 years
Vehicles and equipment	3-10 years

Grant revenue

Seneca analyzes grant agreements to determine whether such agreements constitute contributions or exchange transactions, and if determined to be contributions, whether such contributions are conditional or unconditional. Seneca has determined that substantially all of its grant agreements represent conditional contributions due to the agreements containing a right of return and containing certain barriers related to incurring qualifying expenditures. Conditional contributions are recognized as Seneca incurs qualifying expenditures in compliance with rules and regulations established by the grantor, which is typically a state or federal awarding agency. State grants are paid based on a schedule

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SENECA HEALTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 1. Description of Organization and Summary of Significant Accounting Policies (Continued)

Grant revenue (continued)

of payments as defined in the agreement. Seneca recognizes payments received as refundable advances until qualifying expenditures are incurred, at which time revenue is recognized. Any unused funds are forfeited and required to be refunded to the awarding agency. Grant revenue is recognized as revenues increasing net assets without donor restrictions when the conditions and restrictions are met in the same period, or when the grants were initially determined to be conditional contributions.

Seneca has conditional contributions available from the West Virginia Department of Health and Human Resources through September 2021, subject to certain conditions being met, such as incurring qualifying expenditures. Conditional contributions are as follows:

	<u>2021</u>	<u>2020</u>
State Opioid Response	\$ 695,728	\$ 845,010
Quick Response Team	53,747	122,631
Other	86,884	162,235
	<u>\$ 836,359</u>	<u>\$ 1,129,876</u>

Functional allocation of expenses

The costs of providing the programs have been classified on a functional basis in the statement of functional services. Accordingly, certain costs have been allocated among the programs and administration based on management's estimates of time and effort devoted to each function.

Income taxes

Seneca is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and, therefore, is not subject to taxes on income derived from its exempt activities. In addition, Seneca qualifies for charitable contributions deductions under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

Use of estimates

The presentation 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.

Reclassifications

Certain amounts in the 2020 financial statements have been reclassified to conform to the 2021 presentation.

Subsequent events

The date to which events occurring after June 30, 2021, have been evaluated for possible adjustment to or disclosure in the financial statements is March 29, 2022, which is the date the financial statements were available to be issued.

**SENECA HEALTH SERVICES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

**Note 2. Liquidity**

Seneca anticipates collecting sufficient revenue to cover general expenditures and liabilities coming due within one year of the statement of financial position. Seneca's financial assets as of June 30, 2021, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position, were as follows:

	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	\$ 3,571,836	\$ 3,262,553
Accounts receivable	854,098	1,127,620
Grants receivable	1,253,043	805,894
	<b>\$ 5,678,977</b>	<b>\$ 5,196,067</b>

**Note 3. Property and Equipment**

Property and equipment consisted of the following:

	<b>2021</b>	<b>2020</b>
Land	\$ 250,701	\$ 250,701
Buildings and improvements	2,973,173	2,973,173
Buildings and improvements – state funded	2,082,417	1,883,063
Vehicles	81,284	98,943
Equipment	1,764,499	1,751,140
Equipment – state funded	665,791	301,581
Construction in progress	940,496	311,659
	8,758,361	7,570,260
Less accumulated depreciation	3,878,442	3,604,361
	<b>\$ 4,879,919</b>	<b>\$ 3,965,899</b>

At June 30, 2021 and 2020, the cost of property and equipment purchased with West Virginia Department of Health and Human Resources, Bureau for Behavioral Health (BBH) grant funds was \$665,791 and \$301,581, respectively, and related accumulated depreciation was \$241,851 and \$168,994, respectively.

The State of West Virginia provides a building to Seneca under a 99 year lease which requires an annual payment of \$10 and expires in 2079. Seneca has recorded the building at the State's cost, which approximated fair value at the inception of the lease. The building's cost, including improvements, of \$370,241 and accumulated depreciation of \$370,241 and \$370,183 at June 30, 2021 and 2020, respectively, are recorded in these financial statements as property and equipment. Continued use of this facility is contingent upon Seneca continuing to provide treatment to persons who are emotionally disturbed or developmentally disabled. Management believes that it is highly unlikely Seneca would discontinue providing these services.

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**SENECA HEALTH SERVICES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

**Note 3. Property and Equipment (Continued)**

During 2020, Seneca received a building through pass-through BBH grant funds from another behavioral healthcare provider organization. The behavioral healthcare provider organization received the grant funds to finance the development and construction of a residential substance use disorder treatment facility and transferred the property to Seneca in June 2020. The building's cost of \$1,712,822 and accumulated depreciation of \$61,829 and \$4,202 at June 30, 2021 and 2020, respectively, are recorded in these financial statements as property and equipment.

**Note 4. Debt**

As of June 30, 2021, Seneca had \$2,000,000 available under a line of credit with a bank that was secured by cash in depository accounts of \$2,000,000. The line of credit was cancelled subsequent to year end.

During 2021, Seneca entered into a construction loan agreement with a maximum borrowing amount of \$1,750,000. The outstanding balance was \$0 as of June 30, 2021. The note is payable in interest only payments for twelve months, then principal and interest payments of \$16,728, maturing in 2032. The note bears interest of 2.75% and is secured by property. Seneca is required to make a capital contribution to the construction project of at least 15% of the property's appraised completed value. Seneca has restricted cash of \$1,140,675 as of June 30, 2021 to fund the capital contribution. The construction contract cost is \$2,765,838 of which \$2,183,216 remains to be incurred as of June 30, 2021.

**Note 5. Retirement Plan**

Seneca has a defined contribution retirement plan covering eligible employees. Employer contributions equal 5% of each participant's eligible compensation. Retirement expense for the years ended June 30, 2021 and 2020, was \$289,096 and \$294,102, respectively.

**Note 6. Net Client Service Revenue**

Seneca has agreements with Medicaid and Medicare that provide for payments to Seneca at predetermined amounts that differ from its standard rates. Amounts earned under these contractual arrangements are subject to review and final determination by fiscal intermediaries and other appropriate governmental authorities or their agents. In the opinion of management, adequate provision has been made in the financial statements for any adjustments which may result from such reviews. The ability of Seneca to receive future payments from Medicaid depends on both legislation enacted and resources available to the State of West Virginia.

Seneca has also entered into agreements with certain commercial insurance companies and other organizations which provide reimbursement for services in the form of prospectively determined rates, per diems, and discounts from established charges.

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**SENECA HEALTH SERVICES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

**Note 6. Net Client Service Revenue (Continued)**

Revenue recognized from client services consists of the following:

	Year Ended June 30, 2021		
	Gross Patient Revenue	Less: Contractual Adjustments and Other	Net Client Revenue
Medicaid	\$ 4,278,657	\$ 881,752	\$ 3,396,905
Medicaid waiver	3,361,478	26,880	3,334,598
Medicare	287,697	185,243	102,454
Private pay	174,871	1,247	173,624
Insurance	614,838	328,099	286,739
Other	158,696	126,814	31,882
Total	\$ 8,876,237	\$ 1,550,035	\$ 7,326,202

	Year Ended June 30, 2020		
	Gross Patient Revenue	Less: Contractual Adjustments and Other	Net Client Revenue
Medicaid	\$ 3,427,325	\$ 1,016,306	\$ 2,411,019
Medicaid waiver	7,726,404	52,813	7,673,591
Medicare	389,590	220,775	168,815
Private pay	189,223	35,359	153,864
Insurance	605,517	300,382	305,135
Other	339,787	284,070	55,717
Total	\$ 12,677,846	\$ 1,909,705	\$ 10,768,141

Seneca's policy is to provide care to individuals regardless of their ability to pay for these services. Patient costs are billed to the payer sources noted above, and billed charges denied by third party payers are recorded as contractual adjustments.

**Note 7. Concentrations**

Financial instruments which potentially expose Seneca to significant concentrations of credit risk consist of cash and cash equivalents, accounts receivable, and grants receivable.

To limit concentration of credit risk associated with cash and cash equivalents, Seneca places its cash and cash equivalents with high quality financial institutions. At times, the balances in such institutions may exceed amounts covered by FDIC insurance. Seneca receives payments for services from Medicaid, Medicare, private payers, and certain governmental agencies. The ability of these parties to honor their obligations is partially dependent upon the economic condition of the State of West Virginia and the health insurance industry. Seneca maintains allowances for potential losses, which, when realized, have been within the range of management's expectations. At June 30, 2021 and 2020, no allowance for bad debts was considered necessary.

Approximately 35% of Seneca's employees are subject to a collective bargaining agreement, which expires June 30, 2023.

**SENECA HEALTH SERVICES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

**Note 8. Leases**

Seneca leases certain land, facilities, and equipment under cancelable and non-cancelable operating leases expiring in various years through 2033. Future minimum lease payments under non-cancelable operating leases are as follows:

2022	\$ 302,526
2023	303,481
2024	285,323
2025	286,823
2026	239,354
Thereafter	<u>85,000</u>
	<u>\$ 1,502,507</u>

Rental expense for operating leases, was approximately \$341,878 and \$346,767 for the years ended June 30, 2021 and 2020, respectively.

**Note 9. COVID-19**

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The COVID-19 outbreak in the United States has caused business disruptions through mandated and voluntary closings as well as significant changes in consumer behaviors. Seneca is not able to estimate the effects of the COVID-19 outbreak on its future financial condition, liquidity, or results of operations.

In an effort to mitigate the potential impact of COVID-19, Seneca applied for and received a Paycheck Protection Program (“PPP”) loan of \$2,123,400 granted by the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). Under the program terms, PPP loans are forgiven and recognized as grant revenue if the loan proceeds are used to maintain compensation costs and employee headcount, and other qualifying expenses (mortgage interest, rent, and utilities) incurred following receipt of the loan. Seneca recognized revenue as payroll and other qualifying expenses were incurred. As of June 30, 2021 and 2020, Seneca recognized \$1,040,267 and \$1,083,133 of grant revenue with the remaining balance of \$0 and \$1,040,267 included in refundable advances, respectively. Seneca received notification from the SBA on June 10, 2021, that the loan was fully forgiven.

**SUPPLEMENTARY INFORMATION**



SENECA HEALTH SERVICES, INC.

SCHEDULE OF EXPENDITURES OF STATE AWARDS  
Year Ended June 30, 2021

Federal Grantor/ Pass-through Grantor/ Program Title	Grant Series	State Grantor's Number	Program or Award Amount	Refundable Advances June 30, 2020	Amount Invoiced	Amount Received	Disbursements/ Expenditures	Refundable Advances June 30, 2021
<b>West Virginia Department of Health and Human Resources</b>								
Community Engagement	G210261	2021-0525-0506-3701-21900-3256-4231	\$ 235,200	\$ -	\$ 235,200	\$ 163,856	\$ 235,200	\$ -
Continuum Enhancement	G210191	2021-0525-0506-2851-21900-3256-4231	561,588	-	561,588	437,500	561,588	-
Continuum Enhancement	G210191	2020-0525-0506-2851-21900-3256-4531-COVID	154,376	-	154,376	-	154,376	-
			715,964	-	715,964	437,500	715,964	-
Marlinton Group Home	G210232	2019-0525-0506-3115-21900-3256-4231	622,754	-	622,754	325,463	622,754	-
Indigent Care	G210204	2021-0525-0506-3065-21900-3256-4231	187,788	-	187,788	151,483	187,788	-
CSU	G210871	2021-8793-0506-2884-13000-3286-3885	144,780	-	144,780	-	144,780	-
CSU	G210871	2022-8793-0506-2884-13000-3286-3885	48,260	-	8,903	-	19,933	-
CSU	G210871	2018-0525-0506-2884-21900-3256-4231	36,338	-	-	-	-	-
			229,378	-	153,683	-	164,713	-
Recovery Ridge Road	G201044	2018-0525-0506-2891-35400-3256-4231	198,305	-	198,305	198,305	198,305	-
Rawson Trust	G210709	2021-8793-0506-2884-13000-3285-3885	30,000	-	30,000	30,000	30,000	-
State Opioid Response	G200673	2021-8723-0506-2886-13000-3285-3885-SORF-EY2019	270,609	33,185	-	-	33,185	-
State Opioid Response	G200673	2021-8723-0506-2886-13000-3285-3865-SORG-EY2020	147,500	-	-	-	-	-
State Opioid Response	G200673	2021-8723-0506-2886-13000-3285-3865-SORG-EY2021	442,500	-	-	-	-	-
State Opioid Response	G200673	2020-8723-0506-2886-13000-3285-3885-SORF-EY2019	811,826	418,108	147,500	246,218	706,098	-
			1,672,435	451,293	147,500	246,218	739,283	-
Quick Response Team (QRT)	G200894	2018-0407-0506-3809-35401-3256-4231	122,631	16,351	45,374	45,374	68,884	-
Job & Hope	G200614	2019-0525-0506-2888-14901-3256-4230	91,681	-	16,600	21,600	39,261	-
Law Enforcement Asst Diversion	G200897	2018-0407-0506-3809-35401-3256-4231	61,758	-	-	-	-	-
Law Enforcement Asst Diversion	G200897	2021-5207-0506-3809-09900-3285-3885	134,066	-	98,565	67,886	124,149	-
			195,824	-	98,565	67,886	124,149	-
Crisis Stabilization Unit Pilot	G200932	2021-8793-0506-2884-13000-3285-3885-SAPT-EY2019	48,260	-	9,085	48,260	9,085	-
Crisis Stabilization Unit Pilot	G200932	2020-8793-0506-2884-13000-3285-3885-SAPT-EY2019	48,260	-	48,260	48,260	48,260	-
Crisis Stabilization Unit Pilot	G200932	2019-0525-0506-2884-21900-3256-4231	18,169	-	-	18,169	-	-
			114,689	-	57,345	114,689	57,345	-
<b>Total Bureau for Behavioral Health</b>			<b>4,416,649</b>	<b>467,644</b>	<b>2,509,078</b>	<b>1,802,374</b>	<b>3,183,646</b>	<b>-</b>
<b>Pass-through Grants</b>								
Flex		Southern Highlands Community Mental Health			42,949	32,410	42,949	-
Peer Recovery		Marshall University Research Corporation			2,192	2,192	2,192	-
<b>Total Expenditures of State Awards</b>					<b>\$ 2,554,219</b>	<b>\$ 1,836,976</b>	<b>\$ 3,228,787</b>	<b>\$ -</b>

See Independent Auditor's Report.

**SENECA HEALTH SERVICES, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended June 30, 2021**

Federal Granting Agency / Recipient State Agency	Assistance Listing	Pass-through Entity Identifying Number	Total Federal Expenditures
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
COVID-19 Provider Relief Funds	93.498	N/A	\$ 15,911
<u>Pass-through Programs:</u>			
West Virginia Department of Health and Human Services:			
Block Grants for Prevention and Treatment of Substance Abuse:			
Crisis Stabilization Unit Pilot	93.959	8793-13000	222,058
Rawson Trust	93.959	8793-13000	30,000
			<u>252,058</u>
State Opioid Respose	93.788	8723-13000	739,282
Southern Highlands Community Mental Health Center:			
MAT Access for Rural Appalachians (MARA)	93.243	Not Provided	105,317
West Virginia School of Osteopathic Medicine:			
State Opioid Respose	93.788	Not Provided	27,198
			<u><u>\$ 1,139,766</u></u>

**SENECA HEALTH SERVICES, INC.**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2021**

**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Seneca Health Services, Inc., and is presented on the accrual basis. The information in this schedule is presented in accordance with the requirement of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

**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 Cost Rate**

Seneca Health Services, Inc. has not elected to use the de minimis 10% rate. They have a negotiated rate in place.

**Note 4. Provider Relief Funds**

The amount reported for Provider Relief Funds on this schedule is based upon the September 2021 reporting to Health and Human Services that covers all amounts received by Seneca through June 30, 2020.



**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  
Seneca Health Services, Inc.  
Summersville, 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 Seneca Health Services, Inc. (Seneca), which comprise the statements of financial position as of June 30, 2021, and the related statements of activities, 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 March 29, 2022.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Seneca's internal control over financial reporting (internal control) as a basis for designing 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 Seneca's internal control. Accordingly, we do not express an opinion on the effectiveness of Seneca'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 weakness 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 deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001, that we consider to be a significant deficiency.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Seneca'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Management's Response to Findings**

Seneca Health Services, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Seneca Health Services, 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 Seneca's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Seneca's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
CERTIFIED PUBLIC ACCOUNTANTS

Charleston, West Virginia  
March 29, 2022



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

To the Board of Directors  
Seneca Health Services, Inc.  
Summersville, West Virginia

**Report on Compliance for Each Major Federal Program**

We have audited Seneca Health Services, Inc.’s (Seneca) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Seneca’s major federal program for the year ended June 30, 2021. Seneca’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

***Management’s Responsibility***

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

***Auditor’s Responsibility***

Our responsibility is to express an opinion on compliance for Seneca’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 generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 Seneca’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 Seneca’s compliance.

***Opinion on Each Major Federal Program***

In our opinion, Seneca Health Services, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

## Report on Internal Control over Compliance

Management of Seneca 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 Seneca's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its 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 Seneca'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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

*Brown, Edwards & Company, S. L. P.*  
CERTIFIED PUBLIC ACCOUNTANTS

Charleston, West Virginia  
March 29, 2022

SENECA HEALTH SERVICES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2021

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unmodified opinion** on the financial statements of Seneca Health Services, Inc.
2. **One significant deficiency** relating to the audit of the financial statements is reported in the 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*.
3. **No instances of noncompliance** material to the financial statements, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. **No significant deficiencies** relating to the audit of the major federal award programs were reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance in Accordance with the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs expresses an **unmodified opinion**.
6. The audit disclosed **no audit findings** relating to the major program.
7. The program tested as a major program included:

<u>Name of Program:</u>	<u>CFDA #</u>
State Targeted Response to the Opioid Crisis	93.788

8. The **threshold for** distinguishing Type A and B programs was **\$750,000**.
9. Seneca was determined to be a **high-risk auditee**.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

2021-001 Reconciliation of Grant Revenue and Refundable Advances

*Condition:*

Reconciliations of grant revenue and refundable advances to subsidiary ledgers or supporting documentation were not completed.

*Criteria:*

Year-end and month-end closing procedures should be in place to complete general ledger account reconciliations, including review of the reconciliations by someone other than the preparer.

(Continued)



**SENECA HEALTH SERVICES, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2021**

**B. FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)**

*Cause:*

Month-end and year-end closing procedures did not include the reconciliation of grant revenue and refundable advances reported in the general ledger to subsidiary records or other documentation.

*Effect:*

Preliminary account balances were not accurate, and various adjustments of these accounts were required during the audit.

*Recommendation:*

Management should develop year-end and month-end reconciliation processes that indicate who will perform and review the reconciliation of grant revenue and refundable advances to ensure accounts are reconciled and reviewed on a timely basis.

*Views of Responsible Officials and Planned Corrective Actions:*

Management implemented monthly reconciliation processes in August 2021 upon hiring a Controller. All reconciliations are completed by the Controller and reviewed by the Chief Financial Officer.

**C. FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAM AUDIT**

None.



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## Corrective Action Plan

The Federal Audit Clearinghouse:

Seneca Health Services, Inc. respectfully submits the following corrective action plan for the year ended June 30, 2021.

Independent public accounting firm:

Brown, Edwards and Company, L.L.P.  
707 Virginia St E, Charleston, WV 25301

Audit period: June 30, 2021

The findings from the June 30, 2021 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the number assigned in the schedule.

### FINDINGS – FINANCIAL STATEMENT AUDIT

2021-001 Reconciliation of Grant Revenue and Refundable Advances

*Condition:*

Reconciliations of grant revenue and refundable advances to subsidiary ledgers or supporting documentation were not completed.

*Criteria:*

Year-end and month-end closing procedures should be in place to complete general ledger account reconciliations, including review of the reconciliations by someone other than the preparer.

*Cause:*

Month-end and year-end closing procedures did not include the reconciliation of grant revenue and refundable advances reported in the general ledger to subsidiary records or other documentation.

*Effect:*

Preliminary account balances were not accurate, and various adjustments of these accounts were required during the audit.

*Recommendation:*

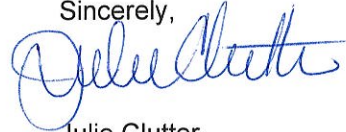
Management should develop year-end and month-end reconciliation processes that indicate who will perform and review the reconciliation of grant revenue and refundable advances to ensure accounts are reconciled and reviewed on a timely basis.

*Views of Responsible Officials and Planned Corrective Actions:*

Management implemented monthly reconciliation processes in August 2021 upon hiring a Controller. All reconciliations are completed by the Controller and reviewed by the Chief Financial Officer.

Management implemented the corrective action for 2021-001 in August 2021. If the Federal Audit Clearinghouse has questions regarding this plan, please call Julie Clutter, Seneca Health Services, Inc., Chief Financial Officer, 304-872-6503.

Sincerely,

A handwritten signature in blue ink, appearing to read "Julie Clutter". The signature is fluid and cursive, with the first name "Julie" being more prominent than the last name "Clutter".

Julie Clutter  
Chief Financial Officer