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Prestera Center

Prestera Center for Mental Health Services, Inc. and Subsidiary

Financial Report

June 30, 2022 and 2021

C O N T E N T S

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Independent Auditors' Report

To the Board of Directors of
Prestera Center for Mental Health Services, Inc. and Subsidiary

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Prestera Center for Mental Health Services, Inc. and Subsidiary (the Center), which comprise the consolidated balance sheets as of June 30, 2022 and 2021, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Center as of June 30, 2022 and 2021, and the results of its operations, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

2021 Financial Statements Restated

As discussed in Note 21 to the financial statements, the 2021 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information (located at pages 36 and 37) is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets and cash flows of the individual organizations, and it is not a required part of the consolidated financial statements. Also, the Schedule of State Awards, Schedule of Bureau of Behavioral Health and Health Facilities Funding Status, Bureau of Behavioral Health and Health Facilities Standardized Financial Statements, and Cumulative Schedule of Property and Equipment Purchased with Bureau of Behavioral Health and Health Facilities Funding are presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2023 on our consideration of the Center'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 the Center'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 the Center's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Charleston, West Virginia
March 30, 2023

PRESTERA CENTER FOR MENTAL HEALTH SERVICES, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
June 30, 2022 and 2021

	2022	Restated 2021
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,355,246	$ 377,760
Cash - client funds	680,687	890,152
Grants and contracts receivable	5,405,977	5,681,335
Client fees receivable	2,258,801	2,790,495
Accounts receivable - related parties	56,117	64,854
Prepaid expenses and other assets	258,189	45,282
Investments	2,151,614	2,477,218
Total current assets	12,166,631	12,327,096
Property and equipment, net	6,639,694	6,918,579
Total assets	$ 18,806,325	$ 19,245,675
LIABILITIES AND NET ASSETS		
Current liabilities		
Current maturities of long-term obligations	$ 243,200	$ 308,058
Line of Credit	-	3,500,000
Accounts payable and accrued expenses	1,697,907	2,569,426
Client funds	680,687	890,152
Accrued payroll and vacation	1,609,024	1,711,794
Refundable advances	3,333,234	-
Total current liabilities	7,564,052	8,979,430
Long-term liabilities		
Long-term obligations, net of current portion	1,603,903	2,027,229
Postretirement benefit obligation	319,177	319,177
Total liabilities	9,487,132	11,325,836
Net assets		
Unrestricted	9,319,193	7,919,839
Total net assets	9,319,193	7,919,839
Total liabilities and net assets	$ 18,806,325	$ 19,245,675

See Notes to Consolidated Financial Statements

PRESTERA CENTER FOR MENTAL HEALTH SERVICES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
Years Ended June 30, 2022 and 2021

	2022	Restated 2021
UNRESTRICTED REVENUES, GAINS, AND OTHER SUPPORT		
Net client service revenue	**$ 18,712,477**	$ 17,682,467
Federal, state and other grants and contracts	**18,984,431**	16,383,412
Room and board	**716,024**	586,411
Investment income (loss)	**(323,645)**	516,196
In-kind contribution for use of liabilities	**670,095**	670,095
Other income	**815,115**	777,939
Total unrestricted revenues, gains, and other support	**39,574,497**	36,616,520
EXPENSES		
Salaries and wages	**21,184,800**	20,572,649
Employee benefits	**4,494,086**	4,817,644
Contracted services	**2,860,471**	2,815,684
Professional fees	**270,835**	62,128
Lab fees	**97,518**	96,274
Supplies	**2,639,068**	2,081,396
Education	**331,153**	154,234
Travel	**407,317**	222,712
Postage	**45,253**	25,189
Advertising	**117,089**	214,607
Repairs and maintenance	**514,686**	308,589
Dues and subscriptions	**110,048**	158,490
Taxes	**17,996**	32,120
Insurance	**1,127,215**	1,029,498
Utilities	**1,428,017**	1,301,956
Equipment leases	**458,554**	499,307
Rent	**563,441**	613,760
Occupancy	**670,095**	670,095
Depreciation and amortization	**420,578**	458,387
Interest	**185,703**	231,513
Other	**231,220**	248,695
Total expenses	**38,175,143**	36,614,927
Excess of revenues, gains and other support over expenses	**1,399,354**	1,593
Net assets:		
Beginning of year	**7,919,839**	7,918,246
End of year	**$ 9,319,193**	$ 7,919,839

See Notes to Consolidated Financial Statements

PRESTERA CENTER FOR MENTAL HEALTH SERVICES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2022 and 2021

	2022	Restated 2021
Cash flows from operating activities		
Change in net assets	**$ 1,399,354**	$ 1,593
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**420,578**	458,387
Net realized and unrealized (gain) loss on investments,	**362,840**	(472,639)
Loss on disposal of property and equipment	**-**	21,650
(Increase) decrease in:		
Accounts and grants receivable	**815,789**	1,220,356
Prepaid expenses and other assets	**(212,907)**	(18,688)
Increase (decrease) in:		
Accounts payable and accrued expenses	**(871,519)**	(812,803)
Client funds	**(209,465)**	50,973
Refundable advances	**3,333,234**	(388,540)
Accrued payroll and vacation	**(102,770)**	94,810
Post retirement benefit obligation	**-**	122,543
Net cash provided by operating activities	**4,935,134**	277,642
Cash flows from investing activities		
Purchases of property and equipment	**(141,693)**	(42,253)
Net change in investments	**(37,236)**	(325,739)
Net cash (used in) investing activities activities	**(178,929)**	(367,992)
Cash flows from financing activities		
Payments on long-term obligations	**(488,184)**	(276,070)
Line of credit borrowings (payments), net	**(3,500,000)**	543,277
Net cash provided by (used in) financing activities	**(3,988,184)**	267,207
Net increase in cash and cash equivalents	**768,021**	176,857
Cash and cash equivalents		
Beginning	**1,267,912**	1,091,055
Ending	**$ 2,035,933**	$ 1,267,912
Supplemental Disclosure of Cash Flow Information		
Cash payments for interest	$ 185,703	$ 231,513
Cash and cash equivalents and client funds consist of:		
Cash and cash equivalents	1,355,246	377,760
Cash - Client funds	680,687	890,152
	$ 2,035,933	$ 1,267,912

See Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Organization: Prestera Center for Mental Health Services, Inc. and Subsidiary (collectively, “the Center”), are non-profit corporations incorporated in the State of West Virginia. The Center’s primary purpose is to provide a full range of clinical, consultative, community outreach and support in the areas of mental health and substance abuse.

Principles of Consolidation: The consolidated financial statements of Prestera Center for Mental Health Services, Inc. includes the accounts of Midland Behavioral Health, Inc., a non-profit, nonstock corporation. The consolidation is required because Prestera is the sole member of Midland Behavioral Health, Inc. All intercompany account balances and transactions have been eliminated. As of January 1, 2022, Midland Behavioral Health, Inc. operations were merged into Prestera Center of Mental Health Service, Inc..

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates used in preparing these financial statements include the valuation of accounts receivable for the amount expected to be ultimately collected, and estimated postretirement benefit obligation. It is at least reasonably possible that the significant estimates used will change within the next year.

Cash and cash equivalents: Cash and cash equivalents are defined as those funds on deposit which mature in three months or less.

Net assets classifications: Net assets and revenues, gains and losses are classified based on donor-imposed restrictions. Accordingly, net assets of the Center and changes therein are classified and reported as follows:

> **Without Donor Restriction** - Resources over which the Board of Directors has discretionary control.
>
> **With Donor Restriction** - Resources subject to a donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. There were no net assets with donor restrictions as of June 30, 2022 and 2021.

Excess (deficiency) of revenues, gains, and other support over expenses: The consolidated statements of operations and changes in net assets include excess (deficiency) of revenues, gains and other support over expenses. Changes in unrestricted net assets which are excluded from excess (deficiency) of revenues, gains, and other support over expenses, consistent with industry practice, include, permanent transfers of assets to and from affiliates for other than goods and services, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

Client fees receivable and net client service revenue: Net client fees receivable are carried at 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, trends in healthcare coverage, and other collection indicators on a claim-by-claim basis. For receivables associated with services provided to patients who have third-party coverage (which includes patients with deductible and payment balances for which third-party coverage exists for part of the bill), the Center analyses contractually due amounts and provides an explicit price concession. Throughout the year, management assesses the adequacy of the price concessions based upon its review of receivable payer composition and aging, taking into consideration recent experience by payer category, payer agreement rate changes, and other factors. The results of these assessments are used to make modifications to net client service revenue and to establish an appropriate estimate for price concessions. Client fees receivables are reported net of estimated implicit and explicit price concessions.

Net client service revenue is reported at the estimated net realizable amounts from clients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Medicaid reimburses the Center for services based upon reasonable and customary rates established by the State Medicaid departments.

Revenue from Medicaid programs represents a significant portion of net client service revenue. Laws and regulations governing the Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will differ from actual results.

Grant revenue: Federal, state, and other grant revenue resulting from exchange transactions are recognized by the Center as related grant program expenses are incurred.

Charity care: The Center provides care to individuals who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Center does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Property and equipment: Property and equipment acquisitions are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives, generally ranging from 3 to 40 years, of each class of depreciable asset. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements.

Gifts of long-lived assets such as land, buildings, and equipment are reported as unrestricted support, and are excluded from deficiency of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Investments: Investments are carried at fair value. Investments acquired by gift are recorded at the fair value at the date of receipt. Fair value is determined principally from published sources.

Donated goods, services, and facilities: Donated goods, services and other assets are reflected as contributions in the accompanying financial statements at their estimated fair market values at the date of gift. In addition, the fair market value of office space occupied free of rent has been reflected in the accompanying financial statements in the same manner. No amounts have been recognized in the financial statements for donated services unless such services are provided by professionals and would normally be procured by the Center.

Advertising: The cost of advertising, public relations, and marketing programs are charged to operations as incurred. Total advertising expense for the years ended June 30, 2022 and 2021, was $117,089 and $214,607 respectively.

Expense allocation: Expenses which are not specifically identified with a particular service are allocated to the various program services based upon time devoted by Center staff in performing program functions.

Income taxes:

> **Prestera Center for Mental Health Services, Inc.** - Is recognized as exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state statutes.
>
> **Midland Behavioral Health, Inc.** - Is incorporated as a non-profit corporation but has not filed for exempt status with the Internal Revenue Service.

With few exceptions, neither entity is subject to U.S. federal or state income tax examinations by tax authorities for years before 2019. Management is of the opinion that neither entity has any material uncertain tax positions, and accordingly recognizes no liability for unrecognized benefits.

New or Recent Accounting Pronouncements

Leases: During February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, “Leases (Topic 842).” ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the balance sheet. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. During 2018, the FASB issued ASU No. 2018-01, “Land Easement Practical Expedient”, which permits an entity to elect an optional transition practical expedient to not evaluate land easements that existed or expired before the entity’s adoption of Topic 842 and that were not previously accounted for under ASC 840; ASU 2018-10, “Codification Improvements to Topic 842, Leases”, which addresses narrow aspects of the guidance originally issued in ASU No. 2016- 02; ASU 2018-11, “Targeted Improvements”, which provides entities with an additional (and optional) transition method whereby an entity initially applies the new leases standard at the adoption date and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption and also provides lessors with a practical expedient, by class of underlying asset, to not separate non-lease components from the associated lease component and, instead, to account for those components as a single component; and ASU No. 2018-20, “Narrow-Scope Improvements for Lessors”, which addresses sales and other similar taxes collected from lessees, certain lessor costs, and the recognition of variable payments for contracts with lease and nonlease components. During 2019, the FASB issued ASU No. 2019-01, “Codification Improvements”, which deferred the effective date for certain entities and, during 2020, issued ASU No. 2020-05, “Effective Dates for Certain Entities”, which deferred the effective date of ASU No. 2016-02 for those entities that had not yet issued their financial statements at the time of ASU No. 2020-05’s issuance. During 2021, the FASB issued ASU No. 2021-05, “Lessors-Certain Leases with Variable Lease Payments”, which affects lessors with lease contracts that (1) have variable lease payments that do not depend on a reference index or a rate and (2) would have resulted in the recognition of a selling loss at lease commencement if classified as a sales-type or direct financing lease to align with practice under Topic 840. During 2021, the FASB also issued

ASU No.2021-09, “Discount Rate for Lessees That Are Not Public Business Entities”, which allows a lessee that is not a public business entity to make the risk–free rate election by class of underlying asset, rather than at the entity-wide level. Topic 842 (as amended) is effective for annual periods beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early adoption is permitted. The Center is currently assessing the effect that Topic 842 (as amended) will have on its results of operations, financial position and cash flows.

Investments: On January 16, 2020, that FASB issued ASU 2020-01, *Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)—Clarifying the Interactions between Topic 321, Topic 323, and Topic 815*. The amendments of this ASU, among other things, clarifies that a company should consider observable transactions that require a company to either apply or discontinue the equity method of accounting under Topic 323, Investments—Equity Method and Joint Ventures, for the purposes of applying the measurement alternative in accordance with Topic 321 immediately before applying or upon discontinuing the equity method. The new ASU also clarifies that, when determining the accounting for certain forward contracts and purchased options a company should not consider, whether upon settlement or exercise, if the underlying securities would be accounted for under the equity method or the fair value option. ASU No. 2020-01 is effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. For all other entities, ASU No. 2020-01 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2021. Early application is permitted, including early adoption in an interim period for public business entities for periods for which financial statements have not yet been issued, and all other entities for reporting periods for which financial statements have not yet been made available for issuance. An entity should apply ASU No. 2020-01 prospectively at the beginning of the interim period that includes the adoption date. The Center is currently evaluating the impact, if any, that adoption will have on its June 30, 2023 financial statements.

Not-for-Profit Entities: In September 2020, the FASB issued ASU 2020-07 *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. It also requires disclosure around the contributed nonfinancial assets recognized. This guidance is effective retrospectively for annual reporting periods beginning after June 15, 2021, and interim periods with annual reporting periods beginning after June 15, 2022. Early adoption is permitted. Adoption of this standard did not have an impact on the consolidated financial statements.

Subsequent events: In preparing these consolidated financial statements, the Center has evaluated events that occurred though March 30, 2023, the date the consolidated financial statements were issued, for potential recognition or disclosure.

Note 2. Investments

The estimated value of investments as of June 30, 2022 and 2021, was as follows:

	2022		2021	
	Cost	**Fair Value**	Cost	Fair Value
Cash and cash equivalents	**$ 30,452**	**$ 30,452**	$ 58,249	$ 58,249
Stock and mutual funds	**1,273,338**	**1,482,123**	1,187,465	1,757,591
Mutual funds – fixed income	**637,131**	**576,822**	564,895	594,805
Mutual funds – exchange-traded funds	**68,355**	**62,217**	65,372	66,573
Total investments	**$ 2,009,276**	**$ 2,151,614**	$ 1,875,981	$ 2,477,218

Investment income and gains (losses) from investments are comprised of the following for the years ending June 30, 2022 and 2021.

	2022	2021
Interest and dividends income	$ 39,195	$ 43,557
Realized and unrealized gain/(loss)	(362,840)	472,639
	$ (323,645)	$ 516,196

Note 3. Support and Revenue from Government Units

The Center has entered into agreements with the West Virginia Bureau for Behavioral Health and Health Facilities (BHHF) to provide mental health and substance abuse services to individuals within the State of West Virginia. Funding for these services is provided by the West Virginia Department of Health and Human Resources.

A substantial amount of the Center's support and revenue is derived from the BHHF, some of which is pass-through funding from the United States Department of Health and Human Services. A significant reduction in the level of this support, if it were to occur, may have a significant impact on the Center's programs and activities.

Note 4. Property and Equipment

A summary of property and equipment at June 30, 2022 and 2021 follows:

	2022	2021
Land and improvements	$ 2,436,096	$ 2,422,586
Buildings and improvements	8,937,600	8,753,484
Furniture and equipment	4,260,034	4,243,985
Leasehold improvements	924,595	924,595
Vehicles	218,568	218,568
Construction in progress	-	71,979
	16,776,893	16,635,197
Less accumulated depreciation and amortization	10,137,199	9,716,618
Property and equipment, net	$ 6,639,694	$ 6,918,579

Federal and state governments often retain a reversionary interest in property and equipment acquired with federal and state grants. The net book value of equipment purchased with grants from the BHHF as of June 30, 2022 and 2021 was $11,561 and $15,269. The equipment is retained at each location and would be subject to return to the State in the event that grants with BHHF were discontinued.

Depreciation expense for the years ended June 30, 2022 and 2021 amounted to $420,578 and $458,387.

Note 5. Fair Value Measurements

Authoritative guidance regarding *Fair Value Measurements* establishes a framework for measuring fair value. This guidance defines fair value, establishes a framework and hierarchy for measuring fair value, and outlines the related disclosure requirements. The guidance indicates that a fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability based upon an exit price model. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The levels in the fair value hierarchy are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following are descriptions of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of June 30, 2022 and 2021:

Cash and cash equivalents

The carrying amounts reported on the balance sheets for cash and cash equivalents approximate fair value.

Equity Securities

The fair value of equity securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

Mutual Funds

Valued at the quoted net asset value (NAV) of shares held at year end.

	2022			
	Level 1	**Level 2**	**Level 3**	**Total**
ASSETS				
Cash and cash equivalents	$ 30,452	$ -	$ -	$ 30,452
Stocks and mutual funds - equity	1,482,123	-	-	1,482,123
Mutual funds – fixed income	576,822	-	-	576,822
Mutual funds– exchange-traded funds	62,217	-	-	62,217
Total	$ 2,151,614	$ -	$ -	$ 2,151,614

	2021			
	Level 1	**Level 2**	**Level 3**	**Total**
ASSETS				
Cash and cash equivalents	$ 58,249	$ -	$ -	$ 58,249
Stocks and mutual funds - equity	1,757,591	-	-	1,757,591
Mutual funds – fixed income	594,805	-	-	594,805
Mutual funds– exchange-traded funds	66,573	-	-	66,573
Total	$ 2,477,218	$ -	$ -	$ 2,477,218

Note 6. Accounts Payable

Accounts payable at June 30, 2022 and 2021 includes bank overdrafts of $0 and $734,950. The overdrafts are a result of the Center's cash management programs and represent checks issued but not presented to a bank for collection. Actual bank overdrafts are automatically covered by the Center's line of credit.

Note 7. Retirement and Other Postretirement Benefit Plans

The Center maintains a 401(k) retirement plan for its employees. To participate, employees must have one year of entry service (1,000 or more hours of service during a one year period) and be 21 years old or older. Employees can contribute 1% to 13% of their salary, not to exceed legal limits. The Center can make a discretionary matching contribution to equal a percentage of the employees' number of years of vesting service. Employer contributions vest at certain percentages related to the employees' number of years of vesting service. Total matching contributions by the Center during the years ended June 30, 2022 and 2021 were $292,027 and $255,925.

The Center also maintains a 457(B) retirement plan for certain employees. Those employees are eligible to participate immediately upon hire and can contribute from 1% to 100% of their pay up to statutory limits. The Center can make discretionary contributions. Employee and employer contributions are 100% vested at the time of contribution. Total contributions by the Center during the years ended June 30, 2022 and 2021 were $11,619 and $14,894.

In 1997, the Center ceased its participation in the West Virginia Public Employees Retirement System (WVPERS) a defined benefit, cost-sharing multiple-employer pension plan. Certain of the Center's employees are still covered under the WVPERS plan. Contribution obligations and benefit provisions are established pursuant to the West Virginia Public Employees Retirement Act. Total contributions by the Center during the years ended June 30, 2022 and 2021, were $4,917 and $6,273.

Postretirement benefits: In connection with the Center's prior participation in the West Virginia Public Employees Retirement System, it is obligated to provide health insurance benefits to employees who retire under the plan. The Center has accrued a postretirement benefit obligation of approximately $319,000 for both years ended June 30, 2022 and 2021 to cover the present value of the anticipated future premiums for the postretirement benefits.

Note 8. Lines of Credit

Prestera Center for Mental Health Services, Inc. has a $3,500,000 line of credit (LOC) with a local bank that matures in August 2023. Advances on the LOC bear interest at a variable rate equal to the Wall Street Journal Prime Rate of and a floor of 5.5% with interest payable monthly. The interest rate at June 30, 2022 was 5.5%. Cash accounts are swept daily into a repurchase account. The repurchase account is then used to pay down any balance on the LOC. The amount outstanding on the LOC was $0 and $3,500,000 at June 30, 2022 and 2021, respectively. The LOC is renewable annually and is secured by substantially all assets.

Note 9. Long-Term Debt

A summary of long-term debt at June 30, 2022 and 2021, follows:

	2022	2021
Note payable to bank, fixed interest at 6.00% payable at $16,848 per month including interest. Secured by deed of trust on property.	**$ 570,527**	$ 732,731
Note payable to West Virginia Housing Development Fund, interest at 0% paid off during fiscal year 2022 in accordance with loan terms	**-**	200,000
Note payable to Federal Home Loan Bank, interest at 9% forgiven ratably through January 2027. In accordance with loan terms, the proceeds were used to partially fund its acquisition and renovation of property for use as an addictions recovery center. There is a prorate contingent repayment obligation should the property cease to be used as an addictions recovery center.	**333,334**	400,001
Note payable to bank, interest at fixed at 5.00%, due in monthly installments of $8,494 including interest. Secured by equipment and deed of trust on property.	**943,242**	1,002,555
Total	**1,847,103**	2,335,287
Less current portion	**243,200**	308,058
Long-term obligations	**$ 1,603,903**	$ 2,027,229

As of June 30, 2022, long-term debt matures as follows:

Years Ending June 30,	
2023	$ 294,266
2024	307,794
2025	322,378
2026	152,115
2027	134,465
Thereafter	636,085
Total	$ 1,847,103

Note 10. Refundable Advances

Refundable advances results when funds are received prior to incurring qualifying expenditures. The components of refundable advances at June 30, 2022 and 2021 are as follows:

	2022	2021
The American Rescue Plan Act (Note 20)	$ 2,180,270	$ -
State Grants	1,152,964	
Total	$ 3,333,234	$ -

Note 11. Facilities and Rent Expense

The Center leases its satellite locations under operating leases. Certain leases contain a provision whereby the leases may be terminated early if the satellite operation is closed provided that advance written notice is given to the lessor. Rental expense charged to operations on these leases amounted to $563,441 and $613,760 for the years ended June 30, 2022 and 2021. In addition, the Center occupies, rent free, six buildings totaling 82,000 square feet used as care and treatment and administrative facilities. The annual rent value for these donated facilities of $670,095 has been recorded as support and expense in the accompanying consolidated financial statements for both years ended June 30, 2022 and 2021. The Center had an additional $458,554 and $499,307 in equipment rentals for the years ended June 30, 2022 and 2021, respectively.

Note 12. Client Service Revenue

Net client service revenue is reported at the amount that reflects the consideration to which the Center expects to be entitled in exchange for providing medical care from clients treated, third-party payers (including health insurers and government payers), and others for services rendered. It includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Center bills the client and third-party payers several days after services are performed. Revenue is recognized as the performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Center. Revenue for performance obligations satisfied over time is recognized based on expected collections to be received. The Center believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. The Center measures the performance obligation from the time a client receives a service to the point when it is no longer required to provide service to the client, which is generally at the time a client service is completed.

The Center determines the transaction price based on standard charges for services provided, reduced by explicit price concessions (contractual adjustments) provided to third-party payers and discounts provided to clients, including charity care, in accordance with the Center's policy. Explicit concessions under third-party reimbursement programs represent the difference between the Center's billings at established rates for services and amounts reimbursed by third-party payers. The Center determines explicit price concessions based on contractual agreements, Center policies, and historical experience. Implicit price concessions are provided to uninsured or indigent patients who qualify for charity care. The Center determines its estimate of implicit price concessions based on its historical collection experience and review of individual claims.

The Center has agreements with third-party payers that provide for reimbursement to the Center at amounts different from its established rates. Explicit concessions under third-party reimbursement programs represent the difference between the Center's billings at established rates for services and amounts reimbursed by third-party payers. The Center will receive prospective payment, fee for service, reimbursement from the Medicare and Medicaid programs.

Laws and regulations concerning government programs, including Medicare and Medicaid, are extremely complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Center's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Center. In addition, the contracts the Center has with commercial payers also provide for retroactive audit and review of claims.

Settlements with third-party payers for retroactive adjustments due to audits, review, or investigations are considered variable consideration and are included in the determination of estimated transaction price for providing client care. These settlements are estimated based on the terms of the payment agreement with the payer, correspondence from the payer, and the Center's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Recorded amounts for cost report settlements with Medicare and Medicaid are immaterial.

The Center provides services to uninsured or indigent clients and offers those clients a discount from standard charges. Patients who meet the Center’s criteria for charity care are provided care without charge or at amounts less than established rates. Such amounts determined to qualify as charity are not reported as revenue. The Center estimates the transaction price from those who are uninsured based on historical experience and current market conditions. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense. Bad debt expense for the years ended June 30, 2022 and 2021 was not considered material.

The Center has elected the practical expedient allowed under FASB Accounting Standard Codification (ASC) 606-10-32-18 and does not adjust the promised amount of consideration from patient and third-party payers for the effects of a significant financing component due to the Center's expectation that the period between the time the service is provided to a client and the time that the client or a third-party payer pays for that service will be one year or less. However, the Center does, in rare instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

The Center has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are primarily affected by the primary payer. A summary of net client service revenue by payer for the years ended June 30, 2022 and 2021, is as follows:

	2022	2021
Medicare	$ 319,909	$ 240,547
Medicaid	15,021,855	14,276,971
Other third-party payors	3,103,766	2,644,099
Self-pay	266,947	520,850
Total	$ 18,712,477	$ 17,682,467

Note 13. Charity Care

The Center provides charity care to clients who are financially unable to pay for the services they receive. The Center's policy is not to pursue collection of amounts determined to qualify as charity care if the client has an adjusted income equal to or below 200% of the Federal Poverty income levels. A sliding scale discount is available for clients who meet the guidelines prescribed in the policy. Accordingly, the Center does not report these amounts in the net revenues or in the allowance for doubtful accounts. Of the Center's total expenses, approximately $517,000 and $512,000 as of June 30, 2022 and 2021, respectively, arose from providing charity care services to charity clients. The estimated costs of providing charity care services are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on the Center's total expenses divided by gross revenue.

Charity care of approximately $139,000 in 2022 and $300,000 in 2021 represents the amount of charges forgone for services and supplies furnished under the Center's charity care policy.

Note 14. Concentration of Credit Risk

The Center is located in Huntington, West Virginia. The Center grants credit without collateral to its clients, most of who are local residents and are insured under third-party payor agreements. The mix of receivables from clients and third-party payors is as follows at June 30, 2022 and 2021:

	2022	2021
Medicare	3%	2%
Medicaid	72%	75%
Self-pay	18%	16%
Other third-party payors	7%	7%
Total	100%	100%

Financial instruments with potential credit risks consist principally of temporary cash investments and receivables. Temporary investments are placed with highly credit worthy financial institutions and security investment corporations.

Cash and cash equivalents are maintained at financial institutions, and, at times, balances may exceed federally insured limits. Cash at its major depository are swept daily into repurchase accounts secured by various federal government securities. Management believes the Center is not exposed to any significant concentration risk related to cash.

Note 15. Functional Expenses

The Center provides clinical services to residents within its geographic location. Expenses related to providing these services are as follows for the years ended June 30, 2022 and 2021:

	Year Ended June 30, 2022		
	Clinical Services	General and Administrative	Total
Salaries and wages	$ 19,465,087	$ 1,719,713	$ 21,184,800
Employee benefits	3,699,900	794,186	4,494,086
Contracted services	2,247,368	613,103	2,860,471
Professional fees	13,793	257,042	270,835
Lab fees	86,460	11,058	97,518
Supplies	2,400,377	238,691	2,639,068
Education	138,867	192,286	331,153
Travel	374,432	32,885	407,317
Postage	3,437	41,816	45,253
Advertising	56,043	61,046	117,089
Repairs and maintenance	274,133	240,553	514,686
Dues and subscriptions	7,393	102,655	110,048
Taxes	10,634	7,362	17,996
Insurance	303,950	823,265	1,127,215
Utilities	1,324,803	103,214	1,428,017
Equipment leases	426,216	32,338	458,554
Rent	520,641	42,800	563,441
Occupancy	85,656	584,439	670,095
Depreciation and amortization	256,644	163,934	420,578
Interest	47,780	137,923	185,703
Other	131,611	99,609	231,220
Total Expenses	$ 31,875,225	$ 6,299,918	$ 38,175,143

	Year Ended June 30, 2021		
	Clinical Services	General and Administrative	Total
Salaries and wages	$ 18,902,628	$ 1,670,021	$ 20,572,649
Employee benefits	3,966,280	851,364	4,817,644
Contracted services	2,212,180	603,504	2,815,684
Professional fees	3,164	58,964	62,128
Lab fees	85,357	10,917	96,274
Supplies	1,893,144	188,252	2,081,396
Education	64,677	89,557	154,234
Travel	204,731	17,981	222,712
Postage	1,913	23,276	25,189
Advertising	102,718	111,889	214,607
Repairs and maintenance	164,361	144,228	308,589
Dues and subscriptions	10,648	147,842	158,490
Taxes	18,980	13,140	32,120
Insurance	277,601	751,897	1,029,498
Utilities	1,207,853	94,103	1,301,956
Equipment leases	464,095	35,212	499,307
Rent	567,138	46,622	613,760
Occupancy	85,656	584,439	670,095
Depreciation and amortization	279,716	178,671	458,387
Interest	59,566	171,947	231,513
Other	141,558	107,137	248,695
Total Expenses	$ 30,713,964	$ 5,900,963	$ 36,614,927

Note 16. Risk Management

The Center is exposed to various risks of loss related torts; theft of, damage to, and destruction of assets; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental and accidental benefits. The Center reduces its risk of loss by a variety of insurance programs purchased from commercial insurance carriers.

The Center maintains claims-made basis insurance coverage for professional liability at up to $1,000,000 for individual claims and aggregate coverage per year of $3,000,000 with a no deductible clause. Incidents occurring through June 30, 2022 may result in the assertion of a claim or other claims may be asserted arising from past services provided.

The Center is a defendant in various lawsuits within the ordinary course of business wherein various amounts for damages are claims. In the opinion of management an unfavorable outcome in excess of insurance coverage is unlikely and the judgments, if unfavorable, would not have a material adverse effect on the Center’s consolidated financial statements.

Note 17. Health Care Legislation and Regulation

The Health care industry is subject to numerous laws and regulations of federal, state and local governments. 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. Management believes that the Center is in compliance with fraud and abuse as well as other applicable government laws and regulations. If the Center is found in violation of these laws, the Center could be subject to substantial monetary fines, civil and criminal penalties and exclusion from participation in the Medicare and Medicaid programs.

Note 18. Related Parties

Prestera Foundation for Behavioral Health Services d.b.a. Prestera Foundation: Employees and members of the Board of Directors of the Center serve on the Board of Directors of Prestera Foundation for Behavioral Health Services (the Foundation), a West Virginia not-for-profit corporation. The Foundation is a support organization to the Center. The consolidated financial statements of the Foundation have not been consolidated with the Center due to the insignificance of amounts at the Foundation.

Other: Various employees of the Center serve on the boards of directors of the following West Virginia corporations. The Center provides various services to the corporations, including management services under management agreements:

- West Hamlin Group Home d.b.a. Woodside Manor
- Evergreen Place Apartments d.b.a. EGP
- Washington Avenue Apartments d.b.a. Joan Ross Apartments
- G.R. Vale
- Main Street Apartments
- Aliff Place
- Assaley Place
- Concord House of Charleston, Inc.
- Mulberry Manor
- Oak Tree Apartment
- Prestera Foundation for Behavioral Services, Inc.
- Prestera Group Home Corporation d/b/a Mary Woelfel House
- Spruce Manor

A summary of related party receivables at June 30, 2022 and 2021 follows:

	2022	2021
Aliff Place	**$ 2,358**	$ 2,358
Assaley Place	**8,353**	8,353
Evergreen Place Apartments d.b.a. EGP	**12,502**	12,502
Main Street Apartments	**5,929**	5,929
Money Management of Charleston	**4,840**	4,840
Mulberry Manor	**2,349**	2,349
Other	**19,786**	28,523
	$ 56,117	$ 64,854

Note 19. Liquidity and Availability

Financial assets available for general expenditure within one year of the consolidated balance sheets dates consist of the following at June 30:

	2022	2021
Cash and cash equivalents	**$ 1,355,246**	$ 377,760
Grants and contracts receivable	**2,014,495**	3,275,985
Client fees receivable	**2,258,801**	2,790,495
Accounts receivable – related parties	**56,117**	64,854
Investments	**2,151,614**	2,477,218
	$ 7,836,273	$ 8,986,312

As part of the Center's liquidity management plan, it maintains a policy to structure financial assets to be available as general expenditures, liabilities, and other obligations come due. In the event of unanticipated liquidity needs, the Center could draw upon an available line of credit (see Note 8).

Note 20. COVID-19 Pandemic

In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic. This coronavirus outbreak has severely restricted the level of economic activity around the world. The pandemic has significantly impacted both the world and U.S economies. Since March 2020, many state and local governments, in addition to the federal government, reacted to the public health crisis, creating significant uncertainties in the U.S. economy. In response to this coronavirus outbreak, the governments of many countries, states, cities, and other geographic regions have taken preventative or protective actions, such as imposing restrictions on travel and business operations and advising or requiring individuals to limit or forego their time outside of their homes. In certain geographic regions in which the Center operates, temporary closures of businesses have been ordered or suggested and numerous other businesses have temporarily closed voluntarily. Further, individuals' ability to travel has been curtailed through mandated travel restrictions and may be further limited through additional voluntary or mandated closures of travel-related businesses.

Federal and state governments have passed legislation, promulgated regulations, and taken other administrative actions intended to assist health care providers in providing care to COVID-19 and other patients during the public health emergency. Sources of relief include the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was enacted on March 27, 2020, which included, among other programs, the Provider Relief Fund (PRF). The American Rescue Plan Act of 2021 (ARPA) was enacted on March 11, 2021, and authorized an increase the federal matching rate for Medicaid Home and Community-Based (HCBS) programs.

Department of Health and Human Services (HHS) Provider Relief Fund: During the years ended June 30, 2022 and 2021, the Center received $0 and $73,381, respectively, in funding through the HHS PRF program. According to guidance provided by the HHS, these funds may only be used when health care providers experience a loss in revenue and/or incur expenses as a result of the COVID-19 pandemic. Additionally, health care providers must comply with certain terms and conditions, established by the HHS, when spending the funds. If the health care provider is unable to justify utilization of the funds through lost revenues or COVID-19 expenses, the funds must be returned to the HHS.

The Center has accounted for the original receipt of PRF funds in other current liabilities. Based on the Center's calculation of lost revenue and COVID-19 expenses, the Center has recognized $0 and $456,213 as Provider Relief Funds on the consolidated statements of operations during the years ended June 30, 2022 and 2021, respectively. As it relates to the amount recognized as revenue, the Center believes that the conditions for receipt and conditions for expenditure have both occurred during the years ended June 30, 2022 and 2021.

While the Center has utilized all available current information in determining the proper utilization and accounting for these funds, additional regulatory guidance is expected that could have a material impact on how the Center has recognized PRF funds.

American Rescue Plan Act of 2021 (ARPA) Funds: during the years ended June 30, 2022, the Center received $2,180,270 in funding through the increase in rates for Medicaid HCBS. According to guidance provided by the State of West Virginia, the enhanced funding is to assist providers with the recruitment and retention of direct-care workers. Providers are required to attest in writing that at least 85% of the increased rate payment will be passed on to direct-care workers in the form of compensation increases as well as other incentives. As of June 30, 2022, the Center has recorded the $2,180,270 received as refundable advances on the consolidated balance sheets.

Note 21. Restatement

The Center's financial statements as of June 30, 2021 contained certain errors resulting in an understatement of statement of previously reported grants and contracts receivable by $2,405,350, accounts payable by $438,717, and net assets of $1,966,633. The June 30, 2021 financial statements have been restated to reflect the correction of the errors, resulting in a reduction of excess of revenues, gains and other support over expenses of $221,921. The effects of the restatement on the changes in net assets for year ended June 30, 2021 were a restatement of beginning of the year net assets of $2,188,554 and the reduction of excess of revenues, gains and other support over expenses of $221,921.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2022

Federal Grantor / Program Title or Cluster Title	Assistance Listing Number	Pass-through Agency	Pass-through Agency Grant Number	Federal Expenditures	Payments Made to Subrecipients
Federal Programs					
U.S. Department of Health and Human Services					
Block Grants for Prevention and Treatment of Substance Abuse	93.959	State of West Virginia Department of Health and Human Resources	G210554, G210573, G220638, G220727,	$ 861,238	$ -
Block Grants for Community Mental Health Services	93.958	State of West Virginia Department of Health and Human Resources	G210519, G210607, G220704, G220722	125,310	-
Block Grants for Community Mental Health Services	93.958	N/A	N/A	692,860	-
Opioid STR	93.788	State of West Virginia Department of Health and Human Resources	G200672, G200740, G200752 G220505, G220506, G220525 G220554, G220590, G220598 G220605, G200685	1,502,087	-
Opioid STR	93.788	Marshall University Research Corporation	N/A	71,537	-
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	State of West Virginia Department of Health and Human Resources	G210568, G210579, G210723 G210851, G220672, G221045 G221078	687,887	-
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	N/A	N/A	279,013	-
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	State of West Virginia Department of Health and Human Resources	G210635, G210665, G210639 G220619, G220628, G220698	319,089	-
Projects for Assistance in Transition from Homelessness (PATH)	93.150	State of West Virginia Department of Health and Human Resources	G220320	24,869	-
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement	93.912	N/A	N/A	67,783	-
Section 223 Demonstration Programs to Improve Community Mental Health Services	93.829	N/A	N/A	1,038,161	-
Enhance Safety of Children Affected by Substance Abuse	93.087	N/A	N/A	941,171	-
Community Programs to Improve Minority Health Grant Program	93.137	City of Huntington, West Virginia	N/A	30,252	-
Emergency Grants to Address Mental and Substance Use Disorders During COVID-19	93.665	State of West Virginia Department of Health and Human Resources	G211063	167,977	-
Total U.S. Department of Health and Human Services				6,809,234	-
U.S. Department of Justice					
Comprehensive Opiod, Stimulant, and Substance Abuse Program	16.838	State of West Virginia Department of Health and Human Resources	G210886	31,972	-
Second Chance Act Reentry Initiative	16.812	City of Huntington, West Virginia	USDOJ-BJA	83,631	-
Total U.S. Department of Justice				115,603	-
U.S. Department of Housing and Urban Development					
Continuum of Care Program	14.267	N/A	N/A	311,470	-
Total U.S. Department of Housing and Urban Development				311,470	-
Total Federal Programs				$ 7,236,307	$ -

See Notes to Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Prestera Center for Mental Health Service, Inc. and Subsidiary (the Center) under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Center it is not intended to and does not present the consolidated balance sheet, consolidated statements of operations and changes in net assets, or cash flows of the Center.

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

The Center has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

PRESTERA CENTER FOR MENTAL HEALTH SERVICES, INC. AND SUBSIDIARY

SCHEDULE OF STATE AWARDS
Year Ended June 30, 2022

State Grantor/Program Title	Grant Number	Grant Period	Grant Award	Grant Receipts	Grant Expenditures
West Virginia Department of Health and Human Resources Bureau of Public Health, Office of Community Health Systems:					
Activities in Support of the Substance Abuse - Residential Services	G220751	10/1/2021 - 9/30/2022	$ 165,996	$ 69,711	$ 141,871
Sobriety Treatment and Recovery Teams	G201008	5/1/2020 - 6/30/2022	870,639	488,576	505,681
Children's Wraparound	G220202	7/1/2021 - 6/30/2022	631,745	631,745	631,745
Children's Mobile Crisis Response	G220214	7/1/2021 - 6/30/2022	504,216	211,771	274,733
Children's Mental Health: WVSOC	G220190	7/1/2021 - 6/30/2022	278,624	117,022	113,174
Children's Mental Health: Inspire Intercept	G220191	7/1/2021 - 6/30/2022	84,000	56,280	84,000
Indigent Care	G220306	7/1/2021 - 6/30/2022	1,444,909	1,236,656	1,236,656
Recovery Residence	G220755	10/1/2021 - 9/30/2022	280,955	56,191	9,561
Adult Mental Health	G220221	7/1/2021 - 6/30/2022	4,609,031	4,609,031	4,076,040
Community Engagement Specialist	G220236	7/1/2021 - 6/30/2022	1,183,459	792,918	934,296
Continuum Enhancement Program	G220288	7/1/2021 - 6/30/2022	2,330,308	1,461,968	2,390,644
Family and Community Support	G220295	7/1/2021 - 6/30/2022	205,000	137,350	205,000
Forensic Group Home	G220338	7/1/2021 - 12/31/2021	1,173,640	880,230	999,300
Children's Expanded School Mental Health Program	G220203	7/1/2021 - 6/30/2022	120,000	120,000	120,000
Projects for Assistance in Transition from Homelessness (PATH) Program	G220320	7/1/2021 - 6/30/2022	18,178	14,953	18,178
Jobs and Hope Peer Support Specialist	G220848	10/1/2021 - 9/30/2022	75,000	15,000	7,961
Residential Services	G210657	10/1/2020 - 9/30/2021	165,996	54,779	37,479
Children's Mental Health Programs	G221025	10/1/2021 - 9/30/2022	160,000	-	45,417
Crisis Stabilization Unit Pilot	G210865	10/1/2020 - 9/30/2021	363,412	363,412	30,296
Total			14,665,108	11,317,593	11,862,032
West Virginia Division of Administrative Services Justice and Community Services Section					
Comprehensive Opioid Abuse Program	19-SIEEP-11	10/1/2020 - 9/30/2023	400,000	110,784	135,741
Treatment Supervision - Kanawha and Cabell Counties	22-110	7/1/2021 - 6/30/2022	117,000	23,484	23,484
Total			517,000	134,268	159,225
Total State Awards			$ 15,182,108	$ 11,451,861	$ 12,021,257

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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*

Independent Auditors' Report

To the Board of Directors
Prestera Center for Mental Health Services, Inc.
and Subsidiary
Huntington, 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 (*Government Auditing Standards*), the consolidated financial statements of Prestera Center for Mental Health Services, Inc. and Subsidiary (the Center), which comprise the Center's consolidated balance sheet as of June 30, 2022, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 30, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Center'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-01, that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated 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 matter that is required to be reported under *Government Auditing Standards*.

The Center's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Center's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The Center's response was not subjected to the other auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the response.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly US, LLP

Charleston, West Virginia
March 30, 2023

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Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditors' Report

To the Board of Directors
Prestera Center for Mental Health Services, Inc.
and Subsidiary
Huntington, West Virginia

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Prestera Center for Mental Health Services, Inc. and Subsidiary's (the Center) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Center's major federal program for the year ended June 30, 2022. The Center's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Center complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Center and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Center's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Center's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Center's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Center's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Center's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- obtain an understanding of the Center's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Baker Tilly US, LLP

Charleston, West Virginia
March 30, 2023

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022

Section I. - Summary of Independent Auditors' Results

Consolidated Financial Statements

Type of auditors' report issued on whether the consolidated financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	__X__ yes _____ no
• Significant deficiency(ies) identified?	_____ yes __X__ none reported
Noncompliance material to consolidated financial statements noted?	_____ yes __X__ no

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	_____ yes __X__ no
• Significant deficiency(ies) identified?	_____ yes __X__ none reported
Type of auditors' report issued on compliance for major programs:	Unmodified
• Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?	_____ yes __X__ no

Identification of major programs:

Assistance Listing Number	Name of Federal program or Center
93.958	Block Grants for Community Mental Health Services
93.788	Opioid STR
93.829	Section 223 Demonstration Programs to Improve Community Mental Health Services

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

Finding 2022-01: Material Weakness - Grant Revenue

Criteria or Specific Requirement: Grant revenue is recognized in the period when funds are obligated and expenditures occurred.

Condition and Cause: The Center was recognizing grant revenue at time of billing not when expenditures occurred.

Effect: Significant adjustments were required to the financial statements and schedules after the year end closing. During the current year, cut off issues around grant revenue were noted that lead to a restatement of 2021 previously reported grants and contracts receivable by $2,405,350, accounts payable by $438,717, and net assets of $1,966,633. The June 30, 2021 financial statements have been restated to reflect the correction of the errors, resulting in a reduction of excess of revenues, gains and other support over expenses of $221,921.

Recommendation: We recommend that update their policy and procedures to recognize grant revenue when funds are obligated and expenditures occurred.

Section III. – Findings and Questioned Costs for Federal Awards

None noted

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2022

Prior Year Financial Statement Findings

Finding 2021-01: Material Weakness - Accounts Receivable Reconciliations

Condition and Cause: During the process of testing accounts receivable, we noted that accounts were not reconciled to the general ledger on a timely basis

Recommendation: We recommend that management implement procedures to ensure that all accounts are reviewed and reconciled to their proper balance on monthly basis. Reconciliations of accounts receivable from the general ledger to the accounts receivable detail ledger should be prepared to check that the recording of transactions is accurate and proper and that any adjustments to or write-offs of accounts receivable have been approved.

Current Status: Procedures have been developed and implemented to ensure accounts receivable reconciliation are being completed on a monthly basis.

Finding 2021-02: Material Weakness - Schedules of Expenditures of Federal Awards and State Awards

Condition and Cause: The Schedule of Expenditures of Federal Awards (SEFA) and an accurate Schedule of State Awards were not prepared timely.

Recommendation: We recommend that management implement procedures to ensure that all grants are reviewed, and appropriate schedules of grants prepared.

Current Status: Procedures have been developed and implemented to ensure the SEFA is being completed and reviewed on a timely basis.

Finding 2021-03: Significant Deficiency in Internal Control - Outstanding Checks

Condition and Cause: During our testing of cash reconciliations, we noted approximately $687,000 of outstanding checks associated with the operating cash account. Approximately, $489,000 of the outstanding checks are over one year old. Outstanding checks has resulted in cash being in a deficit position.

Recommendation: We recommend that management allocate resources to investigate and resolve the outstanding check listing. Procedures and processes need developed to review and investigate outstanding checks on a monthly bases.

Current Status: The Center made significant improvements in the internal controls over the cash process.

Finding 2021-04: Material Weakness - Reporting on State Grants

Condition and Cause: While preforming our grant testing procedures, we noted several of the quarterly reporting to the state was submitted late to the West Virginia Department of Health and Human Resources.

Recommendation: We recommend that management develop processes and procedures to ensure quarterly reporting is completed by the deadline date.

Current Status: The Center developed procedures to ensure quarterly reporting by the deadline date is completed once the grant agreement is received.

Finding 2021-05: Material Weakness - Schedules of Expenditures of Federal Awards

Condition and Cause: The Schedule of Expenditures of Federal Awards (SEFA) were not prepared timely. The Center lacked proper controls over the preparation of the SEFA to ensure accuracy. The Center had delays in reconciling the SEFA due to turnover within finance department and lack of proper oversight from previous leadership within finance.

Recommendation: We recommend that management implement procedures to ensure that all grants are reviewed and appropriate schedules of grants prepared.

Current Status: Procedures have been developed and implemented to ensure the SEFA is being completed and reviewed on a timely basis.

SUPPLEMENTARY INFORMATION

PRESTERA CENTER FOR MENTAL HEALTH SERVICES, INC. AND SUBSIDIARY

CONSOLIDATING BALANCE SHEET
For the Year Ended June 30, 2022

	Prestera Center for Mental Health Services, Inc	Midland Behavioral Health, Inc.	Eliminations	Consolidated Total
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$ 1,351,525	$ 3,721	$ -	$ 1,355,246
Cash - client funds	680,687	-	-	680,687
Grants and contracts receivable	5,405,977	-	-	5,405,977
Client fees receivable	2,258,801	-	-	2,258,801
Accounts receivable - related parties	94,938	-	(38,821)	56,117
Prepaid expenses and other assets	258,189	-	-	258,189
Investments	2,151,614	-	-	2,151,614
Total Current Assets	12,201,731	3,721	(38,821)	12,166,631
PROPERTY AND EQUIPMENT, net	6,639,694	-	-	6,639,694
Total Assets	$ 18,841,425	$ 3,721	$ (38,821)	$ 18,806,325
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Current maturities of long-term obligations	$ 243,200	$ -	$ -	$ 243,200
Line of Credit	-	-	-	-
Accounts payable and accrued expenses	1,697,345	39,383	(38,821)	1,697,907
Client funds	680,687	-	-	680,687
Accrued payroll and vacation	1,608,820	204	-	1,609,024
Refundable advances	3,333,234	-	-	3,333,234
Total Current Liabilities	7,563,286	39,587	(38,821)	7,564,052
LONG-TERM LIABILITIES				
Long-term obligations, net of current portion	1,603,903	-	-	1,603,903
Postretirement benefit obligation	319,177	-	-	319,177
Total Liabilities	9,486,366	39,587	(38,821)	9,487,132
NET ASSETS				
Without donor restrictions	9,355,059	(35,866)	-	9,319,193
Total Net Assets	9,355,059	(35,866)	-	9,319,193
Total Liabilities and Net Assets	$ 18,841,425	$ 3,721	$ (38,821)	$ 18,806,325

PRESTERA CENTER FOR MENTAL HEALTH SERVICES, INC. AND SUBSIDIARY

CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2022

	Prestera Center for Mental Health Services, Inc.	Midland Behavioral Health, Inc.	Consolidated Total
Unrestricted revenues, gains and other support:			
Net client service revenue	$ 16,982,473	$ 699,994	$ 17,682,467
Federal, state and other grants and contracts	16,383,412	-	16,383,412
Room and board	586,411	-	586,411
Investment income	516,196	-	516,196
In-kind contribution for use of liabilities	670,095	-	670,095
Other income	656,074	121,865	777,939
Total unrestricted revenues, gains and other support	35,794,661	821,859	36,616,520
Expenses:			
Salaries and wages	20,101,658	470,991	20,572,649
Employee benefits	4,817,644	-	4,817,644
Contracted services	2,585,705	229,979	2,815,684
Professional fees	60,706	1,422	62,128
Lab fees	96,274	-	96,274
Supplies	2,077,828	3,568	2,081,396
Education	154,234	-	154,234
Travel	222,712	-	222,712
Postage	25,134	55	25,189
Advertising	213,001	1,606	214,607
Repairs and maintenance	308,279	310	308,589
Dues and subscriptions	158,490	-	158,490
Taxes	23,520	8,600	32,120
Insurance	1,029,498	-	1,029,498
Utilities	1,279,261	22,695	1,301,956
Equipment leases	497,738	1,569	499,307
Rent	563,360	50,400	613,760
Occupancy	670,095	-	670,095
Depreciation and amortization	458,387	-	458,387
Interest	231,513	-	231,513
Other	234,401	14,294	248,695
Total expenses	35,809,438	805,489	36,614,927
Excess (deficit) of revenues, gains and other support over expenses	(14,777)	16,370	1,593
Net assets at beginning of year	8,163,328	(245,082)	7,918,246
Net assets at end of year	$ 8,148,551	$ (228,712)	$ 7,919,839