



SENECA HEALTH SERVICES, INC.

FINANCIAL REPORT

June 30, 2022

CONTENTS

	Page
INDEPENDENT AUDITOR’S REPORT.....	1
FINANCIAL STATEMENTS	
Statements of Financial Position.....	4
Statements of Activities.....	5
Statements of Functional Expenses.....	6
Statements of Cash Flows.....	7
Notes to Financial Statements.....	8
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of State Awards	15
Schedule of Expenditures of Federal Awards.....	16
Notes to the Schedule of Expenditures of Federal Awards.....	17
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	18
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	20
Schedule of Findings and Questioned Costs	23
Summary Schedule of Prior Audit Findings.....	25

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Seneca Health Services, Inc. (Seneca), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Seneca Health Services, Inc. as of June 30, 2022 and 2021, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Seneca Health Services, Inc. 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 opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Your Success is Our Focus

300 Chase Tower • 707 Virginia Street, East • Charleston, WV 25301 • 304-343-4188 • Fax: 304-344-5035 • www.BEcpas.com

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 generally accepted auditing standards 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards 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 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 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 Seneca'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Seneca'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 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 supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2023, 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 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
February 27, 2023

SENECA HEALTH SERVICES, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,402,043	\$ 3,571,836
Restricted cash and cash equivalents	51,185	1,140,675
Accounts receivable	1,241,942	854,098
Grants receivable	2,174,714	1,253,043
Other	247,448	152,041
Total current assets	8,117,332	6,971,693
PROPERTY AND EQUIPMENT, net (Note 3)	7,463,239	4,879,919
Total assets	\$ 15,580,571	\$ 11,851,612
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 80,552	\$ 140,853
Accounts payable - construction	211,167	293,201
Accrued and withheld liabilities	319,087	205,552
Accrued annual leave	530,423	441,928
Refundable advances	38,052	17,787
Deferred revenue (Note 6)	711,664	-
Current portion of debt (Note 4)	166,381	-
Other liabilities	5,199	968
Total current liabilities	2,062,525	1,100,289
DEBT (Note 4)	1,148,400	-
Total liabilities	3,210,925	1,100,289
NET ASSETS WITHOUT DONOR RESTRICTIONS	12,369,646	10,751,323
Total liabilities and net assets	\$ 15,580,571	\$ 11,851,612

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

SENECA HEALTH SERVICES, INC.

STATEMENTS OF ACTIVITIES
Years Ended June 30, 2022 and 2021

	2022	2021
OPERATING REVENUE AND SUPPORT		
Net client revenues (Note 6)	\$ 8,833,531	\$ 7,326,202
State and federal grant revenues	6,430,166	3,662,992
Grant revenue - Paycheck Protection Program (Note 9)	-	1,040,267
Interest income	4,135	11,788
Other	231,173	248,582
	15,499,005	12,289,831
OPERATING EXPENSES		
Salaries and wages	8,698,622	6,593,136
Employee benefits	2,043,697	1,657,473
Administrative expenses	1,026,677	645,491
Contracted services	463,117	344,354
Facility expenses	1,094,971	897,799
Travel and transportation	106,627	87,009
Depreciation	303,117	291,741
Miscellaneous	143,854	27,773
	13,880,682	10,544,776
Total operating expenses	13,880,682	10,544,776
Change in net assets	1,618,323	1,745,055
NET ASSETS, beginning of year	10,751,323	9,006,268
NET ASSETS, end of year	\$ 12,369,646	\$ 10,751,323

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, 2022 and 2021

	2022		
	Health Care Services	General & Administrative	Total
Salaries and wages	\$ 7,672,968	\$ 1,025,654	\$ 8,698,622
Employee benefits	1,726,817	316,880	2,043,697
Administrative expenses	829,137	197,540	1,026,677
Contracted services	315,515	147,602	463,117
Facility expenses	638,313	456,658	1,094,971
Travel and transportation	92,779	13,848	106,627
Depreciation	145,466	157,651	303,117
Miscellaneous	126,983	16,871	143,854
	\$ 11,547,978	\$ 2,332,704	\$ 13,880,682
	2021		
	Health Care Services	General & Administrative	Total
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

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, 2022 and 2021

	2022	2021
OPERATING ACTIVITIES		
Change in net assets	\$ 1,618,323	\$ 1,745,055
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	303,117	291,741
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(387,844)	273,522
Grants receivable	(921,671)	(447,149)
Prepaid rent	-	22,097
Other assets	(95,407)	58,124
Increase (decrease) in:		
Accounts payable	(60,301)	(87,535)
Accrued and withheld liabilities	113,535	(51,573)
Accrued annual leave	88,495	34,174
Refundable advance	20,265	(499,164)
Refundable advance - Payroll Protection Program	-	(1,040,267)
Deferred revenue	711,664	-
Other liabilities	4,231	(12,470)
Net cash provided by operating activities	1,394,407	286,555
INVESTING ACTIVITIES		
Purchases of property and equipment	(1,612,550)	(912,560)
FINANCING ACTIVITIES		
Payments on long term debt	(41,140)	-
Net decrease in cash and cash equivalents	(259,283)	(626,005)
CASH, beginning of year	4,712,511	5,338,516
CASH, end of year	\$ 4,453,228	\$ 4,712,511
CASH IS REPORTED ON THE STATEMENT OF FINANCIAL POSITION AS:		
Cash and cash equivalents	\$ 4,402,043	\$ 3,571,836
Restricted cash and cash equivalents	51,185	1,140,675
	\$ 4,453,228	\$ 4,712,511
SUPPLEMENTAL DISCLOSURES		
Acquisition of property and equipment through accounts payable	\$ 211,167	\$ 293,201
Acquisition of property and equipment through long-term debt	\$ 1,355,921	\$ -

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

SENECA HEALTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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.

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.

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 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.

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

(Continued)

SENECA HEALTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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

Net client revenues and receivables (continued)

contractually due amounts and price concessions based upon its review of accounts 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 patient service revenue and to establish an appropriate estimate for price concessions. Accounts receivable are reported net of estimated implicit and explicit price concessions. The opening balance of accounts receivable as of July 1, 2020 was \$1,127,620.

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 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 2023, subject to certain conditions being met, such as incurring qualifying expenditures. Conditional contributions are as follows:

	2022	2021
State Opioid Response	\$ 180,854	\$ 695,728
CONNECT	3,886,019	-
CCBHC	840,239	-
Other	176,868	140,631
	\$ 5,083,980	\$ 836,359

(Continued)

SENECA HEALTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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

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 2021 financial statements have been reclassified to conform to the 2022 presentation.

Subsequent events

The date to which events occurring after June 30, 2022, have been evaluated for possible adjustment to or disclosure in the financial statements is February 27, 2023, which is the date the financial statements were available to be issued.

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, 2022, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position, were as follows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 4,402,043	\$ 3,571,836
Accounts receivable	1,241,942	854,098
Grants receivable	<u>2,174,714</u>	<u>1,253,043</u>
	<u>\$ 7,818,699</u>	<u>\$ 5,678,977</u>

SENECA HEALTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 3. Property and Equipment

Property and equipment consisted of the following:

	2022	2021
Land	\$ 250,701	\$ 250,701
Buildings and improvements	2,895,480	2,973,173
Buildings and improvements – state funded	2,098,021	2,082,417
Vehicles	309,787	81,284
Equipment	1,771,858	1,764,499
Equipment – state funded	707,326	665,791
Construction in progress	3,533,932	940,496
	11,567,105	8,758,361
Less accumulated depreciation	4,103,866	3,878,442
	<u>\$ 7,463,239</u>	<u>\$ 4,879,919</u>

At June 30, 2022 and 2021, the cost of property and equipment purchased with West Virginia Department of Health and Human Resources, Bureau for Behavioral Health (BBH) grant funds was \$2,419,502 and \$2,377,967, respectively, and related accumulated depreciation was \$457,917 and \$303,680, 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 \$385,845 and accumulated depreciation of \$371,008 and \$370,241 at June 30, 2022 and 2021, 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.

Note 4. Debt

Seneca’s long-term debt consisted of the following:

	2022	2021
Note payable to bank, payable in monthly installments of \$16,728, including interest of 2.75%, final payment due March 2032, secured by property	\$ 1,314,781	\$ -
Less current maturities	166,381	-
	<u>\$ 1,148,400</u>	<u>\$ -</u>

(Continued)

SENECA HEALTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 4. Debt (Continued)

Scheduled principal payments on debt are as follows:

	2023	\$ 166,381
	2024	171,300
	2025	176,071
	2026	180,974
	2027	186,014
	Thereafter	434,041
		\$ 1,314,781

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, 2022 and 2021, was \$463,795 and \$289,096, 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.

Revenue recognized from client services consists of the following:

	Year Ended June 30, 2022		
	Gross Patient Revenue	Less: Contractual Adjustments and Other	Net Client Revenue
Medicaid	\$ 4,714,147	\$ 762,226	\$ 3,951,921
Medicaid waiver	4,088,309	26,635	4,061,674
Medicare	248,911	122,585	126,326
Private pay	194,991	28,244	166,747
Insurance	645,836	193,753	452,083
Other	81,598	6,818	74,780
Total	\$ 9,973,792	\$ 1,140,261	\$ 8,833,531

(Continued)

SENECA HEALTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 6. Net Client Service Revenue (Continued)

	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

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.

As COVID-19 significantly impacted the availability of direct-care workers to serve home and community based programs, the State of West Virginia directed certain federal funding received under the American Rescue Plan Act to temporary rate increases for certain direct-care services provided under the Medicaid program, with the stipulation that agencies direct 85 percent of such additional payments to the recruitment and retention of direct-care workers in the form of compensation increases and other incentives. The temporary rate increases ended on March 31, 2022, and agencies have until December 31, 2024, to utilize the additional funding in accordance with the requirements. During the year ended June 30, 2022, Seneca received additional funding under the program of \$2,478,494, of which \$1,766,830 was recognized in revenue, while \$711,664 is reflected as deferred revenue which will be recognized as revenue in future periods as eligible compensation costs are incurred.

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. Accounts receivable and grants receivable consist primarily of amounts due from federal and state funding sources under service and grant agreements. The ability of these parties to honor their obligations is dependent upon the economic condition of the federal government and the state of West Virginia. Seneca maintains allowances for potential losses, which, when realized, have been within the range of management's expectations. At June 30, 2022 and 2021, no allowance for bad debts was considered necessary.

Approximately 29% 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, 2022

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:

2023	\$ 303,339
2024	285,316
2025	288,663
2026	239,356
2027	12,000
Thereafter	<u>73,000</u>
	<u>\$ 1,201,674</u>

Rental expense for operating leases, was approximately \$330,221 and \$341,878 for the years ended June 30, 2022 and 2021, respectively.

Note 9. Paycheck Protection Program

During a prior period, Seneca applied for and received a Paycheck Protection Program (“PPP”) loan of \$2,123,400 granted by the Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). Under the program terms, PPP loans were forgiven if the loan proceeds were 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. During the year ended June 30, 2021, the loan proceeds were fully expended, and Seneca received notification from the SBA that the loan was fully forgiven.

SUPPLEMENTARY INFORMATION

SENECA HEALTH SERVICES, INC.

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

Federal Grantor/ Pass-through Grantor/ Program Title	Grant Series	State Grantor's Number	Program or Award Amount	Amount Invoiced	Amount Received	Disbursements/ Expenditures
<u>West Virginia Department of Health and Human Resources</u>						
Community Engagement Specialist	G220237	2022-0525-0506-21900-3256-4231	\$ 235,200	\$ 235,200	\$ 235,200	\$ 235,200
Continuum Enhancement Program	G220289	2022-0525-0506-2851-21900-3256-4231-13144	561,588	561,588	561,588	561,588
Adult Mental Health	G220229	2022-0525-0506-3115-21900-3256-4231	691,350	691,350	497,486	691,350
Adult Mental Health		2022-0525-0506-3115-21900-3256-4231-13688	46,630	46,630	35,423	46,630
			<u>737,980</u>	<u>737,980</u>	<u>532,909</u>	<u>737,980</u>
Indigent Care	G220307	2020-0525-0506-3228-21900-3256-4231	197,177	193,505	125,818	193,505
State Opioid Response	G220508	2023-8723-0506-2886-13000-3285-3885-SORG F SR	147,500	147,500	147,500	45,751
State Opioid Response	G220508	2022-8723-0506-2886-13000-3285-3885-SORG F SR	442,500	295,000	295,000	363,394
			<u>590,000</u>	<u>442,500</u>	<u>442,500</u>	<u>409,145</u>
Job and Hope Peer Support Specialist	G220849	2020-0525-0506-2888-14901-3256-4231	150,000	38,868	30,000	37,019
QRT	G221010	2023-8723-0506-2866-13000-3285-3885-SORF F SR	32,663	-	-	5,870
QRT	G221010	2022-8723-0506-2866-13000-3285-3885-SORF F SR	97,987	97,987	97,987	97,987
			<u>130,650</u>	<u>97,987</u>	<u>97,987</u>	<u>103,857</u>
Job and Hope Peer Support Specialist	G200614	2019-0525-0506-2888-14901-3256-4230	60,000	12,862	12,862	7,361
Job and Hope Peer Support Specialist	G200614	2020-0525-0506-2888-14901-3256-4230	31,681	17,160	-	-
			<u>91,681</u>	<u>30,022</u>	<u>12,862</u>	<u>7,361</u>
Law Enforcement	G210887	2022-5207-0506-3809-0990-3285-3885-COAP F SR	135,000	89,113	119,792	122,696
CSU	G210871	2021-8793-0506-2884-13000-3286-3885	229,378	75,695	229,378	64,665
State Opioid Response	G200673	2021-8723-0506-2886-13000-3285-3885	1,672,435	40,766	40,766	321,935
Quick Response Team	G200894	2018-0407-0506-3809-35401-3256-4231	122,631	40,766	40,766	20,808
			<u>4,853,720</u>	<u>2,583,990</u>	<u>2,469,566</u>	<u>2,815,759</u>
<u>Pass-through Grants</u>						
Region 6 Community Support Flex Funds and Family Support Funds		Southern Highlands CMHC, Inc.		45,265	34,170	45,265
Greenbrier County Health Department		Greenbrier County Health Department		4,350	4,350	4,350
				<u>4,350</u>	<u>4,350</u>	<u>4,350</u>
Total Expenditures of State Awards				<u>\$ 2,633,605</u>	<u>\$ 2,508,086</u>	<u>\$ 2,865,374</u>

See Independent Auditor's Report.

SENECA HEALTH SERVICES, INC.

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

Federal Granting Agency / Recipient State Agency	Assistance Listing	Pass-through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Health Resources & Services Administration:			
Provider Relief Fund and American Rescue Plan Rural Distribution	93.498	N/A	\$ 301,492
Substance Abuse and Mental Health Services Administration Center for Mental Health Services:			
Section 223 Demonstration Programs to Improve Community Mental Health Services:			
Certified Community Behavioral Health Clinic Expansion:			
Seneca CCBHC Expansion Initiative	93.829	N/A	1,159,761
Block Grants for Community Mental Health Services:			
CONNECT - Connecting Our Neighbors by interNet, providing Everyone Comprehensive Tx			
	93.958	N/A	1,598,759
<u>Pass-Through Programs:</u>			
<u>West Virginia Department of Health and Human Services:</u>			
Block Grants for Prevention and Treatment of Substance Abuse:			
Crisis Stabilization Unit Pilot	93.959	8793-13000	64,665
Opioid STR:			
State Opioid Response	93.788	8723-13000	321,935
SOR Treatment	93.788	8723-13000	409,146
Quick Response Team	93.788	8723-13000	103,857
<u>Southern Highlands Community Mental Health Center:</u>			
Substance Abuse and Mental Health Services Projects of Regional and National Significance:			
MAT Access for Rural Appalachians (MARA)	93.243	Not Provided	32,299
Emergency Grants to Address Mental and Substance Use Disorders During COVID-19:			
ECOVID	93.665	8723-89101	63,102
<u>West Virginia School of Osteopathic Medicine:</u>			
Opioid STR:			
State Opioid Response	93.788	Not Provided	9,671
<u>FMRS Health Systems, Inc.</u>			
Substance Abuse and Mental Health Services Projects of Regional and National Significance:			
Resiliency for Appalachia (RAPP)	93.243	Not Provided	20,000
Total U.S. Department of Health of Human Services			4,084,687
APPALACHIAN REGIONAL COMMISSION			
<u>Pass-Through Programs:</u>			
<u>West Virginia University Research Corporation:</u>			
Appalachian Area Development:			
West Virginia Inspiring Hope:			
God's Way Home	23.002	Not Provided	30,654
U.S. DEPARTMENT OF JUSTICE			
<u>Pass-Through Programs:</u>			
<u>West Virginia Department of Health and Human Services:</u>			
Comprehensive Opioid, Stimulant, and Substance Abuse Program:			
Office of Drug Control Policy; Law Enforcement Assisted Diversion (LEAD)	16.838	5207-09900	122,696
			<u>\$ 4,238,037</u>

SENECA HEALTH SERVICES, INC.

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2022**

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 2022 reporting to Health and Human Services that covers all amounts received by Seneca through June 30, 2021.



**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 statement of financial position as of June 30, 2022, 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 February 27, 2023.

Report on 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 the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies; and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001, that we consider to be a significant deficiency.

Report on 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*.

Seneca Health Services, Inc.’s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on 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 other auditing procedures applied in the audit of the 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 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.

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

CERTIFIED PUBLIC ACCOUNTANTS

Charleston, West Virginia
February 27, 2023



**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

Opinion on Each Major Federal Program

We have audited Seneca Health Services, Inc.'s (Seneca) 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 each of Seneca's major federal programs for the year ended June 30, 2022. Seneca's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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 each of its major federal programs 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; 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Seneca 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 Seneca'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 Seneca's federal programs.

Auditor’s 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 Seneca’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 generally accepted auditing standards, *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 Seneca’s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 Seneca’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 Seneca’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 Seneca’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.

Report on Internal Control over Compliance (Continued)

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's 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.

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

Charleston, West Virginia
February 27, 2023

SENECA HEALTH SERVICES, INC.

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

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 programs.
7. The programs tested as major programs included:

<u>Name of Program:</u>	<u>CFDA #</u>
Block Grants for Community Mental Health Services	93.958
Section 223 Demonstration Programs to Improve Community Mental Health Services	93.829

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

2022-001 Financial Reporting Risk Assessment

Condition:

Audit adjustments were necessary to correct certain errors in account balances at year end.

Criteria:

Risk assessment processes should be in place to identify nonroutine transactions that may impact financial reporting to ensure adequate policies and procedures are implemented timely.

(Continued)

SENECA HEALTH SERVICES, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2022**

B. FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)

Cause:

Nonroutine transactions occurred in several areas, including debt, construction in progress, and temporary Medicaid rate adjustments, and accounting review and reconciliation procedures were not expanded to ensure accurate accounting.

Effect:

Certain preliminary account balances related to nonroutine transactions were not accurate, and various adjustments of these accounts were required during the audit.

Recommendation:

The risk assessment process should include identifying nonroutine transactions, determining appropriate accounting treatment, and implementing accounting and reconciliation procedures in a timely manner.

Views of Responsible Officials and Planned Corrective Actions:

Seneca will closely monitor non-routine transactions in a timely manner to appropriately determine accounting treatment and implementation of accounting and reconciliation procedures.

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

None.

SENECA HEALTH SERVICES, INC.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2021**

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.

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.

Current Status:

Management implemented procedures to ensure grant revenue and refundable advances reconciliations were completed and reviewed on a timely basis.



131 Wellness Drive
Summersville, WV 26651
www.shsinc.org
1-888-SENECA9 (736-3229)

Corrective Action Plan

The Federal Audit Clearinghouse:

Seneca Health Services, Inc. respectfully submits the following corrective action plan for the year ended June 30, 2022.

Independent public accounting firm:

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

Audit period: June 30, 2022

The findings from the June 30, 2022 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

Significant Deficiency

2022-001 Financial Reporting Risk Assessment

Condition:

Audit adjustments were necessary to correct certain errors in account balances at year end.

Criteria:

Risk assessment processes should be in place to identify nonroutine transactions that may impact financial reporting to ensure adequate policies and procedures are implemented timely.

Cause:

Nonroutine transactions occurred in several areas, including debt, construction in progress, and temporary Medicaid rate adjustments, and accounting review and reconciliation procedures were not expanded to ensure accurate accounting.

Effect:

Certain preliminary account balances related to nonroutine transactions were not accurate, and various adjustments of these accounts were required during the audit.

Recommendation:

The risk assessment process should include identifying nonroutine transactions, determining appropriate accounting treatment, and implementing accounting and reconciliation procedures in a timely manner.

Action Taken:

Seneca will closely monitor nonroutine transactions in a timely manner in order to appropriately determine accounting treatment and implementation of accounting and reconciliation procedures.

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,

Julie Clutter
Chief Financial Officer