BESTSELF BEHAVIORAL HEALTH, INC.

Consolidated Financial Statements
With Independent Auditor's Report

December 31, 2019 and 2018

Dopkins & Company, LLP
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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Dopkins & Company, LLP
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
BestSelf Behavioral Health, Inc.
Buffalo, New York

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of BestSelf Behavioral Health Inc. and its affiliated entities which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of operations and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

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Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BestSelf Behavioral Health, Inc. and its affiliated entities as of December 31, 2019 and 2018 and changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Dopkins & Company, LLP
CERTIFIED PUBLIC ACCOUNTANTS

June 16, 2020

BESTSELF BEHAVIORAL HEALTH, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018

ASSETS	**2019**	2018
Current Assets		
Cash and cash equivalents	**$ 8,095,323**	$ 6,981,119
Investments	**117,615**	635,809
Accounts receivable, net	**4,343,377**	4,764,637
Contracts, grants and other receivables	**2,219,265**	2,093,348
Prepaid expenses and other assets	**394,759**	248,551
Total current assets	**15,170,339**	14,723,464
Property and Equipment, net	**8,549,501**	7,140,026
Total assets	**$ 23,719,840**	$ 21,863,490
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	**$ 2,235,510**	$ 2,326,923
Accrued salaries and benefits	**4,230,386**	3,508,944
Amounts due to third-party payors	**8,226,950**	6,205,285
Current portion of long-term debt	**3,000,000**	-
Total current liabilities	**17,692,846**	12,041,152
Long-Term Debt, less current portion	**-**	3,000,000
Total Liabilities	**17,692,846**	15,041,152
Net Assets		
Without donor restrictions:		
Board designated	**724,534**	724,534
Undesignated	**5,302,460**	6,097,804
Total net assets	**6,026,994**	6,822,338
Total liabilities and net assets	**$ 23,719,840**	$ 21,863,490

BESTSELF BEHAVIORAL HEALTH, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
Years Ended December 31, 2019 and 2018

	2019	2018
Revenue:		
Net patient services	**$ 44,442,371**	$ 36,026,343
Contracts and grants	**16,325,174**	14,858,151
Other program services	**1,035,474**	606,423
Total revenue	**61,803,019**	51,490,917
Contributions	**289,123**	111,108
Total support and revenue	**62,092,142**	51,602,025
Expenses:		
Program services	**55,917,520**	46,179,463
Support services	**7,050,704**	5,802,164
Total expenses	**62,968,224**	51,981,627
Operating loss	**(876,082)**	(379,602)
Non-operating income (loss):		
Investment income (loss)	**80,738**	(4,714)
Non-operating income (loss)	**80,738**	(4,714)
Change in net assets	**(795,344)**	(384,316)
Net assets:		
Beginning of year	**6,822,338**	7,206,654
End of year	**$ 6,026,994**	$ 6,822,338

BESTSELF BEHAVIORAL HEALTH, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2019

	Program Services										Support Services			
	Clinics	Child Advocacy Center	Building Brighter Futures	Personal Recovery Oriented Services	Substance Use Disorders	Homeless Services	Assertive Community Treatment	Care Coordination	Other Services	Total Program Services	General and Administrative	Fundraising	Total Support Services	Total
Salaries	$ 21,123,880	$ 529,414	$ 1,845,628	$ 1,580,084	$ 1,949,694	$ 821,863	$ 1,721,851	$ 4,643,527	$ 285,626	$ 34,501,567	$ 3,373,969	$ 112,763	$ 3,486,732	$ 37,988,299
Fringe benefits	4,949,753	139,420	406,784	362,943	475,549	189,601	389,967	1,034,401	36,789	7,985,207	772,729	25,185	797,914	8,783,121
Consultants - direct care	2,302,961	-	-	159,312	176,866	-	126,351	86,503	-	2,851,993	-	72,650	72,650	2,924,643
Total personnel related expenses	28,376,594	668,834	2,252,412	2,102,339	2,602,109	1,011,464	2,238,169	5,764,431	322,415	45,338,767	4,146,698	210,598	4,357,296	49,696,063
Advertising	213,802	192	-	708	4,051	-	-	2,482	-	221,235	106,084	71,058	177,142	398,377
Client incidentals	23,309	2,090	-	98,472	216,980	1,097,712	138,772	45,521	-	1,622,856	28,145	2,426	30,571	1,653,427
Depreciation	344,772	6,112	105	14,878	61,247	80,315	35,323	25,215	-	567,967	169,909	-	169,909	737,876
Dues and subscriptions	1,284	750	-	339	574	7,412	-	-	-	10,359	40,956	-	40,956	51,315
Equipment expense	569,941	13,277	9,885	74,331	90,691	18,380	32,601	80,236	46,983	936,325	150,079	-	150,079	1,086,404
Information technology	128,899	-	-	8,248	7,151	180	42,605	353,581	9,844	550,508	394,788	-	394,788	945,296
Insurance	27,209	248	56	2,853	11,871	6,639	27,752	8,320	-	84,948	142,774	-	142,774	227,722
Janitorial supplies	153,870	4,588	2,998	29,818	21,585	27,551	19,394	15,208	-	275,012	28,527	-	28,527	303,539
Office supplies and expenses	186,026	9,365	6,177	25,840	11,307	8,004	14,065	35,476	-	296,260	282,705	-	282,705	578,965
Other expenses	2,461	1,277	627	-	112,727	-	1,354	123,773	-	242,219	100,725	49,080	149,805	392,024
Postage	20,100	847	91	558	737	54	53	5,022	-	27,462	23,240	-	23,240	50,702
Professional services	95,532	129,045	86,034	646	1,023	113,982	38,022	12,137	10,700	487,121	525,129	-	525,129	1,012,250
Program supplies	257,227	5,666	805,460	16,352	67,404	9,548	10,030	5,475	-	1,177,162	7,618	-	7,618	1,184,780
Recruiting	95,830	100	4,231	398	1,208	576	589	6,634	-	109,566	47,424	-	47,424	156,990
Rent	1,151,939	77,868	29,824	185,515	213,550	26,845	138,768	281,567	-	2,105,876	286,145	18,538	304,683	2,410,559
Repairs and maintenance	118,530	2,857	1,729	23,393	28,104	14,160	6,223	11,918	-	206,914	22,748	-	22,748	229,662
Staff development	174,635	1,960	2,906	4,125	44,193	5,174	1,969	24,713	207	259,882	10,037	-	10,037	269,919
Telephone	325,473	11,035	11,573	58,478	32,661	29,344	32,396	99,059	430	600,449	61,639	-	61,639	662,088
Travel	174,542	7,615	18,950	25,774	27,408	28,488	37,159	134,691	11,884	466,511	62,317	-	62,317	528,828
Utilities	155,314	9,384	2,173	23,931	6,210	12,328	10,690	16,097	-	236,127	7,992	-	7,992	244,119
Vehicle operations and maintenance	24,803	148	558	2,642	25,164	8,849	29,556	2,274	-	93,994	53,325	-	53,325	147,319
Total expenses	$ 32,622,092	$ 953,258	$ 3,235,789	$ 2,699,638	$ 3,587,955	$ 2,507,005	$ 2,855,490	$ 7,053,830	$ 402,463	$ 55,917,520	$ 6,699,004	$ 351,700	$ 7,050,704	$ 62,968,224

See Notes to Consolidated Financial Statements.

BESTSELF BEHAVIORAL HEALTH, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2018

	Program Services										Support Services			
	Clinics	**Child Advocacy Center**	**Building Brighter Futures**	**Personal Recovery Oriented Services**	**Substance Use Disorders**	**Homeless Services**	**Assertive Community Treatment**	**Care Coordination**	**Other Services**	**Total Program Services**	**General and Administrative**	**Fundraising**	**Total Support Services**	**Total**
Salaries	$ 15,662,947	$ 448,595	$ 1,640,814	$ 1,427,078	$ 1,403,267	$ 688,264	$ 1,733,542	$ 4,061,193	$ 176,357	$ 27,242,057	$ 2,876,784	$ -	$ 2,876,784	$ 30,118,841
Fringe benefits	3,809,523	105,084	382,378	338,844	340,988	162,561	413,560	979,563	56,097	6,588,598	704,834	-	704,834	7,293,432
Consultants - direct care	2,028,313	1,685	1,576	262,488	129,016	6,980	151,650	92,602	-	2,674,310	-	117,575	117,575	2,791,885
Total personnel related expenses	21,500,783	555,364	2,024,768	2,028,410	1,873,271	857,805	2,298,752	5,133,358	232,454	36,504,965	3,581,618	117,575	3,699,193	40,204,158
Advertising	6,510	5,029	126	344	5,469	69	734	2,233	11,450	31,964	86,868	-	86,868	118,832
Bad debt expense	-	-	-	-	-	-	-	-	-	-	-	21,363	21,363	21,363
Client incidentals	23,002	3,394	878	87,588	191,183	866,682	139,272	61,349	-	1,373,348	-	-	-	1,373,348
Depreciation	218,085	1,210	398	13,593	40,367	81,260	52,882	18,103	-	425,898	121,038	-	121,038	546,936
Dues and subscriptions	36,928	775	99	275	748	4,465	-	6,667	-	49,957	69,530	-	69,530	119,487
Equipment expense	615,036	28,488	2,615	29,666	47,099	38,025	33,032	188,706	95,266	1,077,933	187,138	-	187,138	1,265,071
Information technology	195,977	241	943	10,966	474	4	6,065	231,116	27,705	473,491	257,841	-	257,841	731,332
Insurance	14,793	327	42	3,301	11,943	6,553	25,298	4,706	-	66,963	106,087	-	106,087	173,050
Janitorial supplies	115,635	4,317	2,560	25,082	27,193	29,870	19,309	12,388	224	236,578	24,099	-	24,099	260,677
Office supplies and expenses	159,309	8,539	9,496	25,680	11,105	14,308	14,433	40,460	374	283,704	199,702	-	199,702	483,406
Other expenses	4,217	7,336	645	2,365	107,895	-	-	120,646	-	243,104	20,964	2,465	23,429	266,533
Postage	15,272	767	201	625	269	211	175	4,513	100	22,133	16,166	-	16,166	38,299
Professional services	36,229	130,149	42,000	2,440	1,088	-	-	1,156	75,559	288,621	347,300	-	347,300	635,921
Program supplies	114,461	4,601	842,919	13,496	52,021	11,266	9,444	6,120	2,890	1,057,218	3,138	-	3,138	1,060,356
Recruiting	136,198	250	7,250	1,204	3,245	621	228	3,984	12,908	165,888	57,748	-	57,748	223,636
Rent	1,005,907	74,499	29,266	205,093	226,840	23,765	147,258	268,570	-	1,981,198	287,682	25,941	313,623	2,294,821
Repairs and maintenance	95,754	3,699	1,279	14,855	22,570	19,452	3,847	8,924	11,045	181,425	32,681	-	32,681	214,106
Staff development	119,090	6,314	5,203	4,385	29,962	463	3,626	5,221	-	174,264	14,591	-	14,591	188,855
Telephone	287,970	10,874	14,767	56,671	30,295	27,885	36,167	95,548	2,340	562,517	85,735	-	85,735	648,252
Travel	153,122	5,591	20,732	21,378	32,752	13,247	40,068	130,467	5,664	423,021	45,556	-	45,556	468,577
Utilities	190,768	11,050	3,044	24,122	12,456	129,896	44,128	30,528	-	445,992	31,936	-	31,936	477,928
Vehicle operations and maintenance	46,540	53	263	3,311	18,246	7,209	31,236	2,423	-	109,281	57,402	-	57,402	166,683
Total expenses	$ 25,091,586	$ 862,867	$ 3,009,494	$ 2,574,850	$ 2,746,491	$ 2,133,056	$ 2,905,954	$ 6,377,186	$ 477,979	$ 46,179,463	$ 5,634,820	$ 167,344	$ 5,802,164	$ 51,981,627

BESTSELF BEHAVIORAL HEALTH, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2019 and 2018

	2019	2018
Cash Flows From Operating Activities		
Change in net assets	**$ (795,344)**	$ (384,316)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	**737,876**	546,936
Realized and unrealized (gain) loss on investments	**(44,511)**	15,238
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable, net	**421,260**	(609,410)
Contracts and grants receivable	**(125,917)**	181,758
Prepaid expenses	**(146,208)**	25,352
Increase (decrease) in:		
Accounts payable	**(91,413)**	801,599
Accrued salaries and benefits	**721,442**	1,101,678
Amounts due to third-party payors	**2,021,665**	5,411,675
Net cash provided by operating activities	**2,698,850**	7,090,510
Cash Flows From Investing Activities		
Purchase of property and equipment	**(2,147,351)**	(5,599,346)
Purchase of investments	**-**	(11,152)
Proceeds from sale of investments	**562,705**	172,303
Net cash used in investing activities	**(1,584,646)**	(5,438,195)
Cash Flows From Financing Activities		
Proceeds from long-term debt	**-**	3,000,000
Net cash provided by financing activities	**-**	3,000,000
Increase in cash and cash equivalents	**1,114,204**	4,652,315
Cash and cash equivalents:		
Beginning of year	**6,981,119**	2,328,804
End of year	**$ 8,095,323**	$ 6,981,119
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest included in property and equipment	**$ 118,700**	$ -

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities:

BestSelf Behavioral Health, Inc. (BestSelf) is one of the largest community-based behavioral health organizations serving children and adults of all ages in Western New York. BestSelf provides a comprehensive array of treatment and rehabilitation services to promote self-sufficiency, wellness and recovery, and an enhanced quality of life for individuals and families dealing with mental health and substance use disorders. BestSelf supports a family-focused approach to treatment, incorporates principles of person-centered planning and believes that each person has the potential for recovery and an improved quality of life.

BestSelf is the sole corporate member of two related entities; BestSelf Properties, Inc. and BestSelf Foundation, Inc. BestSelf includes the related entities in these consolidated financial statements. BestSelf and the related entities are hereinafter referred to as “the Companies.”

A summary of the Companies significant accounting policies follows:

Principles of consolidation:

The consolidated financial statements reflect the consolidation of individual financial statements of the Companies. All intercompany accounts and transactions have been eliminated in consolidation.

Revenue recognition:

Net patient service revenue:

On January 1, 2019, the Companies adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606) and all the related amendments using the modified retrospective method which requires the standard to be applied to contracts that are initiated after the effective date and contracts that have remaining obligations as of the effective date. The Companies have determined that there was no adjustment required to net assets as of January 1, 2019 as a result of adopting this ASU. Under the ASU, revenue is recognized when the performance obligation is met and control of the product or service is transferred to the customer, which is herein after referred to as the patient.

Net patient service revenue is recognized on the date the patient receives treatment (performance obligation) and includes amounts related to certain services, products and supplies utilized in providing such treatment. The patient is obligated to pay for services at amounts estimated to be receivable based on the Companies standard rates or the rates determined under reimbursement arrangements with insurance companies. Net patient service revenue is reported at the amount that reflects the consideration the Companies expect to receive in exchange for providing services.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Revenue recognition (continued):

Receipts are from Medicaid, Managed Care Organizations, Commercial insurers and others for services rendered, and they include price concessions for retroactive revenue adjustments due to actual receipts from third-party payors, settlements of audits, and reviews. The estimated uncollectible amounts due from these payors are recognized as a direct reduction to net patient service revenue. The Companies assess the patient's ability to pay for their healthcare services at the time of patient admission based on the Companies verification of the patient's insurance coverage under Medicaid, and other commercial or managed care insurance programs. Performance obligations are determined based on the nature of the services provided by the Companies.

The Companies determine the transaction price for the majority of its performance obligations based on gross charges for services provided, reduced by price concessions provided to third-party payors. The Companies determine estimates of price concessions, principally contractual adjustments based on established agreements with payors and historical collection experience. Estimates of price concessions are periodically reviewed to ensure they encompass the Companies current contract terms, are reflective of the Companies current patient mix, and are indicative of the Companies historic collections to ensure patient net service revenue is recognized at the expected transaction price. As such, net service revenue is recorded equal to expected cash receipts for services when rendered.

BestSelf was chosen by New York State to participate in Medicaid’s Certified Community Behavioral Health Clinic (CCBHC) demonstration project. Reimbursement rates are established on a prospective basis and may be adjusted as BestSelf files its annual cost report for each fiscal year July 1 to June 30. As a result of the rate setting process, BestSelf recorded an additional liability of $7,600,000 and $5,250,000 as of December 31, 2019 and 2018, respectively. These amounts are included in amounts due to third-party payors in the consolidated statements of financial position.

Amounts due to third-party payors include advances from government contracts and grants where cash has been received in advance of expenses being incurred, as well as overpayments received for various Medicaid supplements.

Contracts and Grants:

BestSelf provides certain treatment and rehabilitation services in accordance with contracts and grants including those that are deficit funded. The contracts provide funding to BestSelf from federal, state and county governmental units to the extent that expenses exceed patient service revenue received from other sources.

Refundable advances arise from government contracts and grants where cash has been received in advance of expenses being incurred. Revenues are recognized when services are provided and expenses incurred.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Revenue recognition (continued):

Contribution, including those classified as contracts and grants:

On January 1, 2019, the Companies adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). This ASU provides clarified guidance on evaluating whether transactions should be accounted for as contributions (non-reciprocal transactions) within the scope of Topic 958 Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance, and determining whether the contribution is conditional. The Companies adopted this ASU using the modified prospective basis which requires this standard to be applied to all transactions not completed as of the effective date or entered into after the effective date, with no restatement of opening net assets. As a result, this ASU had no impact on the opening balance of net assets reported in the 2019 consolidated financial statements.

All contributions are considered to be available for unrestricted use unless specifically restricted by a donor. Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. Conditional pledges are recognized as revenue when the stipulated conditions have been met.

The Companies report gifts of cash and investments as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the related net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions.

The Companies report gifts of land, buildings and equipment as support without donor restrictions 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 support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Companies report expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donor restricted contributions whose restrictions are met in the same reporting periods are reported as support without donor restrictions in the consolidated statements of operations and changes in net assets.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Revenue recognition (continued):

Laws and regulations governing Medicaid programs as well as various contracts and grants are extremely complex and subject to interpretation. It is common for issues to arise related to: 1) medical coding, 2) patient eligibility, and 3) other reasons unrelated to credit risk, all of which may result in adjustments to recorded revenues amounts. The Companies continuously evaluate the potential for revenue adjustments and, when appropriate, provides allowances for rate adjustments based upon the best available information, including that available from past experience. Such adjustments are reflected as a reduction in related revenues.

Provision for audit and retroactive adjustments by funding agencies, Medicaid and other third-party payors and governmental units are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Cash and cash equivalents:

For purposes of reporting the consolidated statements of cash flows, the Companies include all cash and money market accounts which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less as cash equivalents.

The Companies maintain their cash in bank deposit accounts which, at times, may exceed federally insured limits. The Companies have not experienced any losses on such accounts. The Companies believe they are not exposed to any significant credit risk on cash.

Accounts receivable:

The Companies report accounts receivable net of estimates of price concessions. Accounts receivable are uncollateralized and primarily consist of amounts due from Medicare, Medicaid, other third-party payors, and, to a lesser degree, patients. The Companies establish an allowance for price concessions to reduce the carrying amount of such receivables to their estimated net realizable value. The Companies believe the credit risk associated with their Medicaid accounts, which approximates 82% and 83% of its patient accounts receivable as of December 31, 2019 and 2018, respectively, is limited due to (i) the historical collection rate from Medicaid, and (ii) the fact that Medicaid is a U.S. government payor. The Companies do not believe that there are any other significant concentrations of receivables from any particular payor that would subject it to any significant credit risk in the collection of accounts receivable. The amount of the provision for price concessions is based upon the Companies' assessment of historical and expected net collections, business and economic conditions, and trends in government reimbursement. Uncollectible accounts are written off when the Companies have determined that the account will not be collected. Receivables are recorded net of an allowance for price concessions of $767,851 and $651,558 as of December 31, 2019 and 2018, respectively.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Investments:

The Companies have investments in stocks and mutual funds as further described in Note 3. Investments are reported at fair value. Dividends are recognized in income when received. Realized and unrealized gains and losses are reported in the consolidated statements of operations and changes in net assets.

Investment in Value Network IPA, LLC:

The Companies account for their 25% membership in Value Network IPA, LLC (Value Network) using the equity method of accounting. Value Network was formed to arrange for the delivery or provision of health services, including behavioral health services, by licensed or otherwise authorized individuals, entities and facilities. The investment in Value Network was not significant for 2019 and 2018.

Property and equipment:

Property and equipment are stated at cost. Depreciation is computed by the straight-line method over the following estimated useful lives:

	Years
Building and improvements	7 - 25
Leasehold improvements	10 - 15
Equipment	5 - 15
Furniture and fixtures	4 - 15
Vehicles	5 - 7

Improvements to leased property are amortized over the life of the lease or the life of the improvements, whichever is less. Amortization of leased property is included in depreciation expense.

The Companies capitalize all property and equipment with an initial cost of $5,000 or more. Expenditures for minor equipment, maintenance and repairs are charged to expense as incurred.

Included in property, buildings and equipment are assets purchased with funds from governmental agencies that have certain restrictions as to type and term of use.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Net assets:

The Companies are required to report information regarding their financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Net assets with donor restrictions are those whose use has been limited by donors to a specific time period or purpose.

The Companies' Board of Directors has designated, from assets without donor restrictions, net assets for long-term investment purposes amounting to $724,534 as of December 31, 2019 and 2018.

Income taxes:

The Companies are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. It is highly certain that some positions taken for income tax purposes would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The Companies are not aware of any uncertain tax positions as of December 31, 2019 or 2018. Management believes the Companies are no longer subject to income tax examinations for years prior to 2016.

Methods used for allocation of expenses between program and support services:

The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include office and occupancy, which are allocated on a square-footage basis, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort.

Operating income as a performance indicator:

The Companies follow the reporting requirement of the American Institute of Certified Public Accountants' Audit and Accounting Guide – "Health Care Entities" (the Guide). The Guide requires that the consolidated statements of operations and changes in net assets for a not-for-profit business-oriented health care entity include a performance indicator. The Companies define their performance indicator as "operating income" in the consolidated statements of operations and changes in net assets. The Companies' operating income includes all revenues, gains, expenses and losses for the reporting period generated from the Companies' operations. Investment income and the inherent contribution due to acquisition are excluded from operating income and reported in the non-operating section of the consolidated statements of operations and changes in net assets.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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.

Accounting pronouncements not yet adopted:

The Financial Accounting Standards Board issued ASU 2016-02, *Leases,* which has not yet been adopted by the Companies. ASU 2016-02 requires lessees to recognize lease assets and lease liabilities on the statements of financial position for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition and presentation in the consolidated statements of operations and changes in net assets. ASU 2016-02 is effective for the Companies January 1, 2021. A modified retrospective transition approach is required which makes this ASU applicable to all capital and operating leases existing at, or entered into after, the effective date. As disclosed in Note 8, the Companies have entered into significant operating leases with expiration dates through 2028. ASU 2016-02 will require the presentation of these leases in the consolidated statement of financial position. Management does not expect a material impact on the combined statement of operations and changes in net assets.

Subsequent events:

Subsequent events have been evaluated through June 16, 2020, which is the date the consolidated financial statements were available to be issued.

Note 2. Liquidity Information

As part of the Companies liquidity management practice, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Companies have financial assets available within one year of the consolidated balance sheet date consisting of the following:

Cash	$ 8,095,323
Investments	117,615
Receivables expected to be collected within one year	6,562,642
Less cash and investments subject to board designation	724,534
	$ 14,051,046

The Companies also have agreements with a bank for a maximum borrowing capacity of $2,000,000 as described in Note 5.

Note 3. Investments and Fair Value Measurements

Accounting principles generally accepted in the United States of America establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority level to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

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

Level 2 – Inputs to the valuation methodology include:

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

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

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

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in methodologies used at December 31, 2019 and 2018:

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds owned by the Companies are open-end funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The Companies deem mutual funds owned by them to be actively traded.

Common stock: Stated at fair value based on quoted market prices.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Companies believe their valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note 3. Investments and Fair Value Measurements (Continued)

The following tables set forth the Companies assets at fair value, by level, within the fair value hierarchy at December 31, 2019 and 2018:

	2019			
	Level 1	**Level 2**	**Level 3**	**Total**
Common Stocks	**$ 117,615**	**$ -**	**$ -**	**$ 117,615**

	2018			
	Level 1	Level 2	Level 3	Total
Mutual Fund – Short-term Bond Fund	$ 544,989	$ -	$ -	$ 544,989
Common Stocks	90,820	-	-	90,820
Total	$ 635,809	$ -	$ -	$ 635,809

Investments had a cost of $90,820 and $654,891 as of December 31, 2019 and 2018, respectively.

Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the investment balances in the consolidated statements of financial position.

Note 4. Property and Equipment

Property and equipment consist of the following as of December 31, 2019 and 2018:

	2019	2018
Land and improvements	**$ 507,908**	$ 507,908
Building and improvements	**5,625,617**	5,099,429
Leasehold improvements	**4,145,266**	3,261,370
Equipment	**1,377,519**	1,213,288
Furniture and fixtures	**555,396**	555,396
Vehicles	**1,319,624**	1,240,145
Construction-in-progress	**297,394**	-
	13,828,724	11,877,536
Less accumulated depreciation	**5,279,223**	4,737,510
	$ 8,549,501	$ 7,140,026

Note 5. Notes Payable

The Companies have $1,000,000 available under a line of credit agreement with a bank. The Companies also have $1,000,000 available under a separate loan agreement with a bank whereby individual draws will be subject to repayment terms not to exceed six months. Borrowed amounts under both agreements bear interest at the prime rate plus 1.5% and are secured by all non-real estate assets.

Note 6. Long-Term Debt

During 2018, the Companies entered into a mortgage note payable to a bank in the amount of $3,000,000. The note requires payments of interest at the prime rate through October 1, 2020, at which time the principal will be due. The note agreement is secured by a security interest in certain real property. The balance is included in current portion of long-term debt in the accompanying consolidated statement of financial position.

Note 7. Employee Benefit Plan

BestSelf sponsors a defined contribution retirement plan (the Plan) that covers substantially all employees and provides for a safe-harbor contribution of not less than 3% of eligible compensation and a discretionary amount. Total employer contribution expense related to the Plan amounted to $1,610,048 and $1,427,800 for the years ended December 31, 2019 and 2018, respectively.

Note 8. Leases

The Companies lease certain office space under noncancelable operating leases expiring at various times through 2028. Rent expense for noncancelable operating leases for the years ended December 31, 2019 and 2018 amounted to $2,378,778 and $2,268,880, respectively. Future minimum payments, by year and in the aggregate, under the operating leases consist of the following at December 31, 2019:

Years ending December 31,	
2020	$ 2,048,023
2021	1,998,075
2022	1,806,502
2023	1,714,421
2024	1,253,582
Thereafter	3,028,844
Total	$ 11,849,447

Note 9. Support from Governmental Units

BestSelf receives the majority of its support from federal, state and local governments. A significant reduction in the level of this support, if this were to occur, may have a significant effect on BestSelf's programs and activities.

Note 10. Professional Liability Insurance

BestSelf purchases professional liability insurance to cover medical incident claims. The occurrence basis policy is subject to renewal and a retrospective premium adjustment each year and covers incidents that occur during the term of the policy regardless of when a claim is made. Management is not aware of any medical incidents outstanding under this policy as of December 31, 2019 and 2018.

Note 11. Related Party Disclosures

The President of BestSelf is on the Board of Directors of Health Homes of Upstate New York (HHUNY). Additionally, BestSelf is a 5% member of Chhuny, LLC (CHHUNY). Health homes were established by the New York State Department of Health to bring together different care providers and services such as doctors, clinics, counseling and social service programs. BestSelf is also a provider of services to clients referred by HHUNY and CHHUNY. Gross Medicaid revenue for services referred to BestSelf by HHUNY and CHHUNY amounted to $6,385,425 and $5,177,725 for the years ended December 31, 2019 and 2018, respectively.

The balance receivable from HHUNY and CHHUNY for these services amounted to $1,062,826 and $994,851 as of December 31, 2019 and 2018, respectively.

BestSelf is also reimbursed by HHUNY for certain costs approximating $158,000 and $213,000 for the years ended December 31, 2019 and 2018, respectively.

BestSelf is the designated lead agency under a grant from the New York State Office of Mental Health and Office of Alcohol and Substance Abuse Services to Value Network (Note 1). As lead agency, BestSelf receives funding as an agent and for the benefit of Value Network which is passed through to Value Network. No amounts are recorded in the consolidated financial statements related to these transactions as an agent.

Note 12. Uncertainties from the Coronavirus Pandemic

On March 13, 2020, the President of the United States of America declared a national state of emergency related to the health pandemic from the COVID-19 virus (Coronavirus Pandemic). As a result of the Coronavirus Pandemic, certain international travel bans and other restrictions by local, federal and foreign governments have been imposed. The general impact to businesses as a result of the response to the health and safety concerns from the current outbreak could possibly cause unavailability of personnel, facility closures, regulatory changes, and loss of clients. The resulting impact of the Coronavirus Pandemic to overall economic activity and the Companies is uncertain.

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