

**MONONGAHELA VALLEY ASSOCIATION
OF HEALTH CENTERS, INC.**

**INDEPENDENT AUDITOR'S REPORT AND
RELATED FINANCIAL STATEMENTS**

JANUARY 31, 2011 AND 2010

DHHR - Finance

JUN 29 2011

Date Received

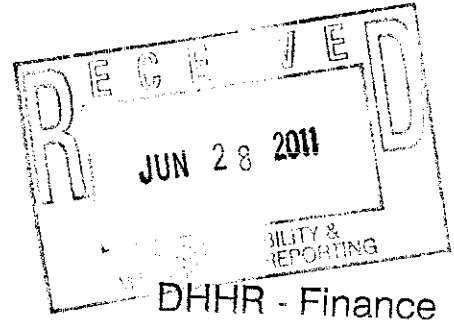


Tetrick & Bartlett, PLLC
Certified Public Accountants
Consultants

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June 27, 2011

WV Department of Health and Human Resources
Office of Accountability and Management Reporting
Division of Compliance and Monitoring
1900 Kanawha Boulevard East
Capitol Complex, Building 3, Room 550
Charleston, WV 25305



JUN 29 2011

Date Received

Dear Madam or Sir:

Enclosed please find four (4) copies of Monongahela Valley Association of Health Centers, Inc.'s independent auditor's report and related financial statements for the years ended January 31, 2011 and 2010. Please note that no management letter was issued for the year ended January 31, 2011.

Very truly yours,

Tasha R. Hartley, CPA
Manager

INDEX

	Page
Board of Directors	1
Independent Auditor's Report	2-3
Balance Sheets	4-5
Statements of Operations	6-7
Statements of Changes in Net Assets	8
Statements of Cash Flows	9-10
Notes to Financial Statements	11-27
Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	28-29
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	30-32
Schedule of Findings and Questioned Costs	33-34
Schedule of Expenditures of Federal Awards	35
Notes to the Schedule of Expenditures of Federal Awards	36
Schedule of State Grant Receipts and Expenditures	37

MONONGAHELA VALLEY ASSOCIATION OF HEALTH CENTERS, INC.
BOARD OF DIRECTORS
AS OF JANUARY 31, 2011

Office	Name
Chairperson:	Rev. O. Richard Bowyer
Vice-Chairperson:	Ms. Patty Turner
Secretary:	Mr. Donald Luketic
Treasurer:	Ms. Wanda Clayton
Members:	Mr. John Belcastro Ms. Mildred Echols Mr. Phillip Koloff Ms. Shelby Leary Ms. Velma J. Efaw Mr. Don Neptune Mr. Thomas Dragich Mr. Carl Jefferis Ms. Karen Cummins Mr. Fred Moore



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Monongahela Valley Association of
Health Centers, Inc.
Fairmont, West Virginia

We have audited the accompanying balance sheets of Monongahela Valley Association of Health Centers, Inc. (a nonprofit organization) as of January 31, 2011 and 2010, and the related statements of operations, changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of Monongahela Valley Association of Health Centers, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Monongahela Valley Association of Health Centers, Inc. as of January 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2011, on our consideration of Monongahela Valley Association of Health Centers, Inc.'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The accompanying schedule of state grant receipts and expenditures is presented for purposes of additional analysis and is also not a required part of the financial statements of the Organization. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Tetuck & Battlett, PLLC

June 22, 2011

DHHR - Finance

JUN 29 2011

Date Received

MONONGAHELA VALLEY ASSOCIATION OF HEALTH CENTERS, INC.
 BALANCE SHEETS
 JANUARY 31,

	2011	2010
ASSETS		
Current Assets		
Cash	\$ 27,517	\$ 83,117
Assets whose use is limited and are required for current liabilities	514,425	544,401
Patient accounts receivable (net)	1,416,310	1,108,110
Accounts receivable other	41,685	111,408
Inventories	180,635	203,096
Prepaid expenses	<u>156,194</u>	<u>130,316</u>
Total current assets	<u>2,336,766</u>	<u>2,180,448</u>
Noncurrent Assets		
Assets whose use is limited, net of current portion	5,441,306	6,310,979
Land, buildings and equipment (net)	<u>2,122,314</u>	<u>1,073,246</u>
Total noncurrent assets	<u>7,563,620</u>	<u>7,384,225</u>
TOTAL ASSETS	<u>\$ 9,900,386</u>	<u>\$ 9,564,673</u>

LIABILITIES AND NET ASSETS

Current Liabilities

Current portion of retention bonus agreement	\$ 9,479	\$ 26,468
Current portion of post employment benefit	18,267	17,397
Current portion of long-term debt	23,730	-
Accounts payable - trade	216,814	188,594
Accrued payroll and vacation	697,710	764,146
Accrued vacation nut and sabbatical leave	-	11,983
Accrued taxes	60,635	68,967
Accrued other	10,108	6,416
Deferred grant revenue	-	11,996
Total current liabilities	<u>1,036,743</u>	<u>1,095,967</u>

Other Liabilities

Retention bonus agreement, net of current portion	18,958	27,192
Post employment benefit, net of current portion	6,123	21,443
Long-term debt, net of current portion	254,457	-
Supplemental retirement benefits	220,370	210,557
Excess pension obligations	1,871,813	1,367,018
Total other liabilities	<u>2,371,721</u>	<u>1,626,210</u>

Total liabilities	3,408,464	2,722,177
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Net Assets

Unrestricted	<u>6,491,922</u>	<u>6,842,496</u>
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TOTAL LIABILITIES AND NET ASSETS

	<u>\$ 9,900,386</u>	<u>\$ 9,564,673</u>
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The accompanying notes are an integral part of these financial statements.

MONONGAHELA VALLEY ASSOCIATION OF HEALTH CENTERS, INC.
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED JANUARY 31,

	2011	2010
Changes in Unrestricted Net Assets:		
Unrestricted revenues and support		
Net patient service revenues	\$ 6,108,337	\$ 5,937,760
Community Health Center Grant	1,376,257	1,376,257
Grants - other	233,342	215,252
Other income	<u>37,835</u>	<u>51,496</u>
Total unrestricted revenues and support	<u>7,755,771</u>	<u>7,580,765</u>
Expenses		
Payroll and fringe benefits	5,448,645	5,290,230
Net periodic pension cost	492,319	635,898
Travel	42,324	32,244
Pharmacy cost - drugs and supplies	561,805	630,543
Optical	81,992	77,421
Other supplies	514,513	486,486
Rental expense	2,276	2,489
Utilities	151,495	143,553
Telephone	81,098	62,480
Depreciation and amortization	193,110	126,082
Repairs and maintenance	189,134	213,647
Contract services	428,218	507,440
Provision for uncollectible accounts	246,718	237,828
Legal and accounting	64,762	63,938
Postage	33,584	30,033
Other taxes	11,701	19,270
Insurance	58,526	55,838
Employee relations, training and recruitment	142,707	75,285
Other expenses	<u>205,471</u>	<u>205,704</u>
Total expenses	<u>8,950,398</u>	<u>8,896,409</u>
Operating (loss)	(1,194,627)	(1,315,644)
Other Income		
Investment income	683,937	965,156
Capital improvement grants	<u>596,592</u>	<u>100,945</u>
Excess (deficiency) of unrestricted revenues and support over (under) expenses	<u>85,902</u>	<u>(249,543)</u>

MONONGAHELA VALLEY ASSOCIATION OF HEALTH CENTERS, INC.
STATEMENTS OF OPERATIONS (CONT'D)
FOR THE YEARS ENDED JANUARY 31,

Other Changes

Pension-related changes other than net periodic pension costs	\$ (436,476)	\$ 506,001
Total other changes	<u>(436,476)</u>	<u>506,001</u>
 (Decrease) Increase in unrestricted net assets	 <u>\$ (350,574)</u>	 <u>\$ 256,458</u>

The accompanying notes are an integral part of these financial statements.

MONONGAHELA VALLEY ASSOCIATION OF HEALTH CENTERS, INC.
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED JANUARY 31, 2011 AND 2010

Net assets, February 1, 2009	\$ 6,586,038
Increase in unrestricted net assets	<u>256,458</u>
Net assets, January 31, 2010	6,842,496
(Decrease) in unrestricted net assets	<u>(350,574)</u>
Net assets, January 31, 2011	<u>\$ 6,491,922</u>

The accompanying notes are an integral part of these financial statements.

MONONGAHELA VALLEY ASSOCIATION OF HEALTH CENTERS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JANUARY 31,

	2011	2010
Cash Flows From Operating Activities		
(Decrease) increase in unrestricted net assets	\$ (350,574)	\$ 256,458
Adjustments to reconcile (decrease) increase in unrestricted net assets to net cash (used in) operating activities		
Depreciation and amortization	193,110	126,082
Net realized and unrealized losses (gains) on investments	(514,191)	(828,106)
Provision for uncollectible accounts	246,718	237,828
Net periodic pension costs	492,319	635,898
Loss on disposal of assets	1,063	3,138
Pension-related changes other than net periodic pension costs	436,476	(506,001)
(Increase) decrease in:		
Patient accounts receivable	(554,918)	87,626
Accounts receivable other	69,723	16,396
Interest receivable	-	6,645
Inventories	22,461	3,786
Prepaid expenses	(61,874)	16,454
(Decrease) increase in:		
Accounts payable - trade	11,236	(29,082)
Accrued payroll and vacation	(66,436)	81,229
Accrued vacation nut and sabbatical leave	(11,983)	(11,257)
Accrued taxes	(8,332)	7,163
Accrued other	13,505	7,562
Deferred grant income	(11,996)	(33,474)
Retention bonus agreement	(25,223)	(24,141)
Post employment benefit	(14,450)	(13,773)
Excess pension obligations	<u>(424,000)</u>	<u>(683,100)</u>
Net cash (used in) operating activities	<u>(557,366)</u>	<u>(642,669)</u>
Cash Flows From Investing Activities		
Acquisition of property and equipment	(1,192,011)	(235,386)
Proceeds from sale of equipment	1,750	-
Net proceeds (purchases) of assets whose use is limited	<u>1,413,840</u>	<u>705,827</u>
Net cash provided by investing activities	<u>223,579</u>	<u>470,441</u>

MONONGAHELA VALLEY ASSOCIATION OF HEALTH CENTERS, INC.
STATEMENTS OF CASH FLOWS (CONT'D)
FOR THE YEARS ENDED JANUARY 31,

	2011	2010
Cash Flows From Capital and Related Financing Activities		
Proceeds from long term debt	295,149	-
Repayment of long term debt	<u>(16,962)</u>	<u>(31,105)</u>
Net cash provided by (used in) financing activities	<u>278,187</u>	<u>(31,105)</u>
Net (decrease) in cash	(55,600)	(203,333)
Operating cash at beginning of year	<u>83,117</u>	<u>286,450</u>
Operating cash at end of year	<u>\$ 27,517</u>	<u>\$ 83,117</u>
 Supplemental Disclosure of Cash Flows Information		
Cash paid during the year for interest	<u>\$ 11,866</u>	<u>\$ 1,286</u>

The accompanying notes are an integral part of these financial statements.

MONONGAHELA VALLEY ASSOCIATION OF HEALTH CENTERS, INC.

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

- **Description of Organization** - Monongahela Valley Association of Health Centers, Inc. (Association) is a non-profit West Virginia corporation established for the purpose of providing primary health care services to residents of Marion, Monongalia, Wetzel, Taylor, and Harrison Counties. Services offered by the Association include family practice, internal medicine, pediatrics, pharmacy, laboratory, x-ray, home health service, case management, optometry, optical shop, physical therapy and social services. Funding for operations is primarily from grant sources, and fees for services provided.
- **Basis of Accounting** - The Association employs generally accepted accounting policies and principles for non-profit organizations.
- **Charity Care** - The Association provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Association does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The Association has estimated that the amount of services provided based on established rates that will qualify under the charity care policy is \$973,000 and \$764,000 for the years ended January 31, 2011 and 2010, respectively. Estimated costs and expenses incurred to provide charity care amounted to \$1,219,000 and \$879,000 for the years ended January 31, 2011 and 2010, respectively.
- **Cash Equivalents** consist of liquid assets with original maturities of less than three months, excluding assets whose use is limited by board designation.
- **Inventories** consist of drugs and medical supplies and are stated at the lower of FIFO cost or market.
- **Investments** in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value. Cash and cash equivalents are carried at cost which approximates fair value. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in revenues (less than) in excess of expenses unless the income or loss is restricted by donor or law.
- **Assets Whose Use is Limited** - Assets whose use is limited include assets set aside by the Board of Directors for future capital improvements, contingency reserve for operations and other restricted uses, over which the Board retains control and may at its discretion subsequently use for other purposes.

MONONGAHELA VALLEY ASSOCIATION OF HEALTH CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTD)

- **Accounts Receivable** are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables from grants, contracts, Medicaid/Medicare, and others. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the applicable accounts receivable. The allowance for uncollectible accounts at January 31, 2011 and 2010, was \$23,508 and \$15,534, respectively.
- **Land, Buildings and Equipment** are recorded at cost and stated net of accumulated depreciation. Depreciation and amortization of assets is provided over the estimated useful lives of the assets using the straight-line and accelerated methods.
- **Pension Plan** - The Association has two pension plans covering substantially all of its employees, except for the medical staff. The Association's policy is to fund the amount accrued for pension cost annually.
- **Net Patient Service Revenue** - The Association has agreements with third-party payors that provide for payments to the Association at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.
- **Supplemental Retirement Benefit**
The Association has implemented a Supplemental Retirement Benefit Plan for the medical staff and other key employees. This plan is a nonqualified deferred compensation plan. The liability for these benefits is included in other accrued liabilities.
- **Retention Bonus Agreement** - The Association has a retention bonus agreement that supplements key employees wages for their length of employment. The liability for this agreement is shown in current and noncurrent liabilities. The expense for this agreement was \$1,918 and \$2,010 for the years ended January 31, 2011 and 2010, respectively.
- **Other Compensation Agreements** - The Association maintains an accrued vacation and sabbatical leave agreement for some of its physicians. The agreement was created to adequately compensate the physicians for the vacation and sabbatical days previously accumulated and unused.
- **Income Taxes** - The Association is exempt from federal and state income taxes under section 501(c)3 of the Internal Revenue Code.

MONONGAHELA VALLEY ASSOCIATION OF HEALTH CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTD)

- **Concentration of Credit Risk** - The Association provides medical services principally to residents of Marion, Wetzel, Taylor, Monongalia and Harrison Counties, West Virginia. The Association bills for services provided to insurance carriers and patients. The Association has significant credit risk with the following third party programs: Medicare, Medicaid and the United Mine Workers of America.
- **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.
- **Advertising costs** – Advertising costs are expensed as incurred. The advertising costs included in other expenses for the years ended January 31, 2011 and 2010, were \$28,203 and \$32,123, respectively.
- **Reclassifications** – Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

2. Patient Accounts Receivable

Accounts receivable and the allowance for charity care, contractual allowances, and uncollectible accounts consist of the following:

	01/31/11	01/31/10
General patient revenue	\$1,406,618	\$1,492,134
Home Health	120,516	74,078
Pharmacy	62,778	80,285
Other	<u>360,552</u>	<u>132,682</u>
	1,950,464	1,779,179
Less: Allowance for charity care	<u>(307,843)</u>	<u>(272,052)</u>
Estimated gross patient receivable	1,642,621	1,507,127
Less: Allowance for contractual adjustments	(202,803)	(383,483)
Allowance for uncollectible accounts	<u>(23,508)</u>	<u>(15,534)</u>
Net patient receivables	<u>\$1,416,310</u>	<u>\$1,108,110</u>

MONONGAHELA VALLEY ASSOCIATION OF HEALTH CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

3. Accounts Receivable - Other

Accounts receivable - other consist of the following:

	01/31/11	01/31/10
Medicaid waiver	\$ 4,794	\$ 4,723
IDS Grant	-	36,101
CIP Grant	-	18,119
ACA Grant	31,807	-
Vendor credit balances	4,145	12,900
Uncompensated Care grant	-	14,940
SBHC grant	-	16,500
Employee receivable	660	3,328
Broad base health care taxes	-	4,216
Other	<u>279</u>	<u>581</u>
	<u>\$ 41,685</u>	<u>\$ 111,408</u>

4. Prepaid Expenses

Prepaid expenses consist of the following:

	01/31/11	01/31/10
Maintenance agreements	\$ 38,722	\$ 40,631
Insurance	10,060	5,425
Deposits on capital assets	81,208	74,278
Subscriptions	23,446	-
Other	<u>2,758</u>	<u>9,982</u>
	<u>\$ 156,194</u>	<u>\$ 130,316</u>

MONONGAHELA VALLEY ASSOCIATION OF HEALTH CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

5. Assets Whose Use is Limited

Assets whose use is limited that are required for obligations classified as current liabilities are reported in current assets. The composition of assets whose use is limited is set forth in the following tables. Investments are stated at fair value.

	01/31/11	01/31/10
Limitation by Board for:		
Capital improvements and operating contingency	\$ 4,136,265	\$ 5,314,230
Computer system and software	400,000	400,000
Supplemental retirement benefit plan	220,370	210,557
Service bonus agreement	28,437	53,660
Accrued vacation	481,216	505,950
Accrued vacation and sabbatical leave	-	11,983
Defined benefit pension plan funding	<u>388,000</u>	<u>359,000</u>
Total limitation by Board	5,654,288	6,855,380
Limitation by Outside Parties:		
Pledged as collateral	<u>301,443</u>	<u>-</u>
Total assets whose use is limited	<u>\$ 5,955,731</u>	<u>\$ 6,855,380</u>
Current portion	\$ 514,425	\$ 544,401
Non-current portion	<u>5,441,306</u>	<u>6,310,979</u>
Total	<u>\$ 5,955,731</u>	<u>\$ 6,855,380</u>

During 2010, the Association pledged an investment account as collateral for a loan. The agreement states that the Association can reduce the amount in the investment account semi-annually on the last day of each sixth month period so that the balance equals the outstanding principal of the loan on that date. At January 31, 2011, the investment account had a value of \$301,443 and the loan had an outstanding principal balance of \$278,187.

MONONGAHELA VALLEY ASSOCIATION OF HEALTH CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

Assets whose use is limited consists of:

January 31, 2011

	<u>Amortized</u> <u>Cost</u>	<u>Unrealized</u> <u>Gains</u>	<u>Unrealized</u> <u>Losses</u>	<u>Fair</u> <u>Value</u>
Cash and equivalents	\$ 296,819	\$ -	\$ -	\$ 296,819
Corporate notes	-	-	-	-
Mutual funds	2,332,281	149,106	-	2,481,387
Equity securities	<u>2,845,465</u>	<u>332,060</u>	<u>-</u>	<u>3,177,525</u>
	<u>\$ 5,474,565</u>	<u>\$ 481,166</u>	<u>\$ -</u>	<u>\$ 5,955,731</u>

January 31, 2010

	<u>Amortized</u> <u>Cost</u>	<u>Unrealized</u> <u>Gains</u>	<u>Unrealized</u> <u>Losses</u>	<u>Fair</u> <u>Value</u>
Cash and equivalents	\$ 652,482	\$ 231	\$ -	\$ 652,713
Corporate notes	57,491	-	(5,991)	51,500
Mutual funds	1,885,344	1,562,036	-	3,447,380
Equity securities	<u>2,758,979</u>	<u>-</u>	<u>(55,192)</u>	<u>2,703,787</u>
	<u>\$ 5,354,296</u>	<u>\$ 1,562,267</u>	<u>\$ (61,183)</u>	<u>\$ 6,855,380</u>

Investment income and gains and (losses) for assets whose use is limited and cash equivalents are comprised of the following for the years ending January 31, 2011 and 2010:

	01/31/11	01/31/10
Income:		
Interest income	\$ 4,115	\$ 16,513
Dividend and other investment income	165,631	120,536
Realized gain (loss) on sale of securities	34,557	(454,491)
Unrealized gains and (losses) on other than trading securities	<u>479,634</u>	<u>1,282,598</u>
	<u>\$ 683,937</u>	<u>\$ 965,156</u>

MONONGAHELA VALLEY ASSOCIATION OF HEALTH CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

6. Land, Buildings and Equipment

The following is a summary of land, buildings, and equipment:

	01/31/11	01/31/10
Land	\$ 252,280	\$ 252,280
Buildings	3,100,779	1,970,535
Vehicles	77,004	77,004
Equipment	1,965,833	1,893,774
Furniture and fixtures	93,791	93,791
Construction in process	<u>29,094</u>	<u>16,074</u>
	5,518,781	4,303,458
Less accumulated depreciation and amortization	<u>(3,396,467)</u>	<u>(3,230,212)</u>
 Total	 <u>\$ 2,122,314</u>	 <u>\$ 1,073,246</u>

Depreciation expense was \$193,110 and \$126,082 for the years ended January 31, 2011 and 2010, respectively.

7. Accrued Other

Other accrued items consists of:

	01/31/11	01/31/10
Accounts receivable credit balances	\$ 6,611	\$ 6,416
Accrued property taxes	1,609	-
Accrued health insurance premium	<u>1,888</u>	<u>-</u>
 Total	 <u>\$ 10,108</u>	 <u>\$ 6,416</u>

MONONGAHELA VALLEY ASSOCIATION OF HEALTH CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

8. Long-Term Debt

Long-term debt consists of the following at January 31, 2011:

	2011	2010
5.5% note payable to The Center for Rural Health Development, Inc, due in monthly instalments of \$3,203.14, secured by Morgan Stanley Investment Acct#529-052244-002. Estimated maturity date under current terms is April 2020.	\$ 278,187	\$ -
Less: Current portion	<u>(23,730)</u>	<u>-</u>
Non-current portion	<u>\$ 254,457</u>	<u>\$ -</u>

Future principal reductions are scheduled as follows:

2012	\$ 23,730
2013	25,068
2014	26,482
2015	27,976
2016	29,554
Thereafter	<u>145,377</u>
Total	<u>\$ 278,187</u>

9. Net Assets

Unrestricted net assets consist of the following:

	01/31/11	01/31/10
Unrestricted		
General Purpose	\$ 6,468,666	\$ 6,842,496
Limited by outside parties	<u>23,256</u>	<u>-</u>
Total	<u>\$ 6,491,922</u>	<u>\$ 6,842,496</u>

Unrestricted net assets limited by outside parties consist of the excess market value over the outstanding principal balance in an investment account pledged as security for long term debt. The Association can reduce the amount in the investment account semi-annually on the last day of each sixth month period.

MONONGAHELA VALLEY ASSOCIATION OF HEALTH CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

10. Net Patient Service Revenues

The following is a summary of net patient service revenues for the years ended January 31,:

	2011	2010
General patient revenue	\$ 6,252,961	\$6,362,185
Home Health services	359,830	331,078
Pharmacy sales	1,362,335	1,442,415
Optical sales	<u>140,618</u>	<u>127,142</u>
	8,115,744	8,262,820
Less: Provision for charity care	<u>(972,636)</u>	<u>(764,484)</u>
Gross patient service revenue	7,143,108	7,498,336
Less: Provision for contractual allowances	<u>(1,034,771)</u>	<u>(1,560,576)</u>
Net patient service revenues	<u>\$ 6,108,337</u>	<u>\$5,937,760</u>

11. Pension Plans

The Association has two non-contributory defined benefit pension plans covering substantially all employees. The Association's funding policy is to annually contribute amounts actuarially determined to provide for benefits attributed to service to date and benefits expected to be earned in the future.

The Association has a Supplemental Retirement Benefit Plan for the medical staff and other key employees. This plan is a deferred compensation plan. The Association's policy is to accrue the liability in the year that the benefit is earned. The benefit of the plan is to be disbursed upon death, retirement or termination of employment. The amount expensed for the years ended January 31, 2011 and 2010 was \$9,813 and \$6,136, respectively.

MONONGAHELA VALLEY ASSOCIATION OF HEALTH CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTD)

Pension Plan Obligations and Funded Status:

	<u>Bargaining</u> <u>01/31/11</u>	<u>Non-bargaining</u> <u>01/31/11</u>	<u>Total</u>
Projected benefit obligation at January 31	\$ 2,730,485	\$ 2,706,228	\$ 5,436,713
Pension Plan assets at fair value at January 31	<u>1,858,198</u>	<u>1,706,702</u>	<u>3,564,900</u>
Funded status	(872,287)	(999,526)	(1,871,813)
Accumulated benefit obligation at January 31	2,516,060	2,044,276	4,560,336
Employer contributions	272,000	152,000	424,000
Participant contributions	-	-	-
Benefits paid	(151,420)	(59,945)	(211,365)
Amounts recognized in the Balance Sheet at January 31, 2011 consist of:			
Pension liability	\$ (872,287)	\$ (999,526)	\$ (1,871,813)
Amounts recognized in the Statement of Operations for January 31, 2011 consists of:			
Service costs	\$ 56,740	\$ 116,918	\$ 173,658
Interest cost	147,665	131,522	279,187
Return on assets	(129,903)	(117,986)	(247,889)
Amortization of prior service costs	14,802	-	14,802
Amortization of net loss	<u>121,178</u>	<u>151,383</u>	<u>272,561</u>
Net periodic pension costs	\$ 210,482	\$ 281,837	\$ 492,319
	<u>Bargaining</u> <u>01/31/11</u>	<u>Non-bargaining</u> <u>01/31/11</u>	<u>Total</u>
Other changes in plan assets and benefit obligations recognized in changes in unrestricted net assets			
Net loss	\$ 1,186,663	\$ 1,444,239	\$ 2,630,902
Net prior service cost	<u>78,933</u>	<u>-</u>	<u>78,933</u>
Amounts recognized in unrestricted net assets, not yet recognized as periodic pension cost at January 31, 2011	<u>\$ 1,265,596</u>	<u>\$ 1,444,239</u>	<u>\$ 2,709,835</u>

MONONGAHELA VALLEY ASSOCIATION OF HEALTH CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

The estimated net loss and prior service cost that will be amortized from changes in unrestricted net assets into net periodic benefit cost during the year ending January 31, 2012 are \$316,388 and \$14,398, respectively

	<u>Bargaining</u> <u>01/31/10</u>	<u>Non-bargaining</u> <u>01/31/10</u>	<u>Total</u>
Projected benefit obligation at January 31	\$ 2,386,865	\$ 2,098,884	\$ 4,485,749
Pension Plan assets at fair value at January 31	<u>1,642,200</u>	<u>1,476,531</u>	<u>3,118,731</u>
Funded status	(744,665)	(622,353)	(1,367,018)
Accumulated benefit obligation at January 31	2,150,476	1,613,848	3,764,324
Employer contributions	316,100	367,000	683,100
Participant contributions	-	-	-
Benefits paid	(128,184)	(72,096)	(200,280)
Amounts recognized in the Balance Sheet at January 31, 2010 consist of:			
Pension liability	\$ (744,665)	\$ (622,353)	\$ (1,367,018)
Amounts recognized in the Statement of Operations for January 31, 2010 consists of:			
Service costs	\$ 53,923	\$ 103,958	\$ 157,881
Interest cost	148,190	122,026	270,216
Return on assets	(90,082)	(79,407)	(169,489)
Amortization of prior service costs	15,555	-	15,555
Amortization of net loss	<u>166,051</u>	<u>195,684</u>	<u>361,735</u>
Net periodic pension costs	\$ 293,637	\$ 342,261	\$ 635,898

MONONGAHELA VALLEY ASSOCIATION OF HEALTH CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

	<u>Bargaining</u> <u>01/31/10</u>	<u>Non-bargaining</u> <u>01/31/10</u>	<u>Total</u>
Other changes in plan assets and benefit obligations recognized in changes in unrestricted net assets			
Net loss	\$ 982,721	\$ 1,196,903	\$ 2,179,624
Net prior service cost	<u>93,735</u>	<u>-</u>	<u>93,735</u>
Amounts recognized in unrestricted net assets, not yet recognized as periodic pension cost at January 31, 2010	<u>\$ 1,076,456</u>	<u>\$ 1,196,903</u>	<u>\$ 2,273,359</u>
	<u>01/31/11</u>	<u>01/31/11</u>	<u>Total</u>
Weighted-average assumptions used to determine benefit obligations at January 31:			
Discount rate	5.75%	5.75%	5.75%
Rate of compensation increase	6.00%	6.00%	6.00%
Weighted-average assumptions used to determine net periodic benefit cost for years ended January 31:			
Discount rate	6.50%	6.50%	6.50%
Expected return on plan assets	8.00%	8.00%	8.00%
Rate of compensation increase	6.00%	6.00%	6.00%
	<u>01/31/10</u>	<u>01/31/10</u>	<u>Total</u>
Weighted-average assumptions used to determine benefit obligations at January 31:			
Discount rate	6.50%	6.50%	6.50%
Rate of compensation increase	6.00%	6.00%	6.00%
Weighted-average assumptions used to determine net periodic benefit cost for years ended January 31:			
Discount rate	6.50%	6.50%	6.50%
Expected return on plan assets	8.00%	8.00%	8.00%
Rate of compensation increase	6.00%	6.00%	6.00%

MONONGAHELA VALLEY ASSOCIATION OF HEALTH CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

The Association's expected rate of return on plan assets is determined by the plan assets' historical long-term investment performance, current asset allocation, and estimates of future long-term returns by asset class.

The Association's investment strategy is to utilize a diversified portfolio of financial investment vehicles each of which involve levels of risk and return that are commensurate with the levels of risk and return from similar types of investments and, in the aggregate, would be regarded as prudent by a person acting in a like capacity and familiar with such matters. Accordingly, the composition of the Association's plan assets is broadly characterized as a 40 to 80% allocation in equities and 20 to 40% in cash, bonds, and other debt and cash instruments.

The Association attempts to mitigate investment risk by periodically reviewing the asset mix of investments as the Association's contributions and benefit payments are made. Although changes in interest rates may affect the fair value of a portion of the investment portfolio and cause unrealized gains or losses, such gains or losses would not be realized unless the investments are sold.

The fair values of the Association's pension plan assets by asset class are as follows:

<u>Assets Class</u>	<u>Fair Value</u>	<u>Fair Value Measurements at Report Date Using</u>		
		<u>Prices in</u>	<u>Markets for</u>	<u>Significant</u>
		<u>Active</u>	<u>Identical</u>	<u>Other</u>
			<u>Assets/</u>	<u>Observable</u>
			<u>Liabilities</u>	<u>Unobservable</u>
			<u>(Level 1)</u>	<u>Inputs</u>
				<u>(Level 3)</u>
				<u>Inputs</u>
				<u>(Level 3)</u>
<u>Bargaining, 1/31/11</u>				
Pooled separate accounts				
Mutual funds				
U.S. Equity	\$ 935,530	\$ -	\$ 935,530	\$ -
International Equity	369,701		369,701	
Fixed Income	552,967	-	552,967	-
	<u>\$ 1,858,198</u>	<u>\$ -</u>	<u>\$ 1,858,198</u>	<u>\$ -</u>
 <u>Non -bargaining, 1/31/11</u>				
Pooled separate accounts				
Mutual funds				
U.S. Equity	\$ 859,454	\$ -	\$ 859,454	\$ -
International Equity	339,631		339,631	
Fixed Income	507,617	-	507,617	-
	<u>\$ 1,706,702</u>	<u>\$ -</u>	<u>\$ 1,706,702</u>	<u>\$ -</u>

MONONGAHELA VALLEY ASSOCIATION OF HEALTH CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

Assets Class	<u>Fair Value Measurements at Report Date Using</u>			
	Fair Value	Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Bargaining, 1/31/10</u>				
Equity securities	\$1,005,348	\$1,005,348	\$ -	\$ -
Debt securities	27,118	27,118	-	-
Mutual funds	258,544	258,544	-	-
Cash & cash equivalents	351,190	351,190	-	-
	<u>\$1,642,200</u>	<u>\$1,642,200</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Non -bargaining, 1/31/10</u>				
Equity securities	\$ 903,926	\$ 903,926	\$ -	\$ -
Debt securities	24,382	24,382	-	-
Mutual funds	232,462	232,462	-	-
Cash & cash equivalents	315,761	315,761	-	-
	<u>\$1,476,531</u>	<u>\$1,476,531</u>	<u>\$ -</u>	<u>\$ -</u>

Following is a description of the valuation methodologies used for assets measured at fair value (Level 2).

Pooled Separate Accounts: The fair value of the investments in this category has been estimated using the net asset value per share. The net asset value (NAV) of each of the separate accounts is calculated in a manner consistent with Accounting Principles Generally Accepted in the United States of America and is determinative of their fair value and represents the price at which the Plan would be able to initiate a transaction. The separate accounts invest in publicly quoted mutual funds. The fair value of the underlying mutual fund is used to determine the NAV of the separate account, which is not publicly quoted. There are currently no redemption restrictions on these investments.

MONONGAHELA VALLEY ASSOCIATION OF HEALTH CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

The Association expects to contribute \$220,000 to its bargaining pension plan and \$168,000 to its non-bargaining plan during the year ending January 31, 2012.

Estimated Future Benefit Payments – The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	<u>Bargaining</u> 01/31/11	<u>Non-bargaining</u> 01/31/11	<u>Total</u>
2012	\$ 250,000	\$ 130,000	\$ 380,000
2013	180,000	130,000	310,000
2014	240,000	150,000	390,000
2015	220,000	160,000	380,000
2016	260,000	200,000	460,000
Years 2017-2021	1,090,000	1,520,000	2,610,000
Total	\$ 2,240,000	\$ 2,290,000	\$ 4,530,000

12. Revenues

Revenues received under cost reimbursement agreements totaling \$1,785,040 for the current year and \$2,121,818 for the prior year are subject to audit and retroactive adjustment by third-party payers. Provisions for estimated retroactive adjustments under these agreements have been provided.

13. Functional Expenses

The Association provides general health care services to residents within its geographic location. Expenses related to providing these services are as follows:

	1/31/11	1/31/10
Health care services	\$ 8,708,654	\$ 8,658,915
General and administrative	241,744	237,494
	\$ 8,950,398	\$ 8,896,409

**MONONGAHELA VALLEY ASSOCIATION OF HEALTH CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)**

14. Medical Malpractice Claims

Medical malpractice claims may be asserted against the Association arising from services provided to patients through January 31, 2011. The Association does not anticipate any significant loss contingency due to medical malpractice claims; and, therefore, no accrual has been made.

15. Subsequent Events

The Association's management evaluated the effect subsequent events would have on the financial statements through June 22, 2011, which is the date the financial statements were available to be issued.

On March 31, 2011, the Association signed a loan and security agreement in the amount of \$570,000, secured by an investment account having a balance equal to or greater than the loan amount.

16. Fair Value Measurements

Fair value of assets and liabilities are measured on a recurring basis at January 31, 2011 and 2010 are as follows:

Fair Value Measurements at Reporting Date Using				
	Fair Value	Quoted Prices in Active Markets for		
		Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>January 31, 2011</u>				
Assets whose use is limited				
Cash and Cash Equivalents	\$ 397,434	\$ 397,434	\$ -	\$ -
Equity Securities				
Automotive Industry	22,807	22,807	-	-
Commercial Products and Services	302,833	302,833	-	-
Other	147,958	147,958	-	-
Communications	345,327	345,327	-	-
Consumer Goods	467,136	467,136	-	-
Energy	607,082	607,082	-	-

MONONGAHELA VALLEY ASSOCIATION OF HEALTH CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

Fair Value Measurements at Reporting Date Using

	Fair Value	Quoted Prices in Active Markets for		
		Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Entertainment	12,547	12,547	-	-
Financial and Insurance	519,468	519,468	-	-
Healthcare	345,226	345,226	-	-
Real Estate	59,719	59,719	-	-
Technology	219,636	219,636	-	-
Travel	27,170	27,170	-	-
Mutual Funds				
International Equity Securities	141,665	141,665	-	-
Fixed Income	2,339,723	2,339,723	-	-
Total assets whose use is limited	<u>\$ 5,955,731</u>	<u>\$ 5,955,731</u>	<u>\$ -</u>	<u>\$ -</u>
<u>January 31, 2010</u>				
Assets whose use is limited	<u>\$ 6,855,380</u>	<u>\$ 6,855,380</u>	<u>\$ -</u>	<u>\$ -</u>



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

Monongahela Valley Association of
Health Centers, Inc.
Fairmont, West Virginia

We have audited the financial statements of Monongahela Valley Association of Health Centers, Inc. (a nonprofit organization) as of and for the year ended January 31, 2011, and have issued our report thereon dated June 22, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Monongahela Valley Association of Health Centers, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Monongahela Valley Association of Health Centers, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Monongahela Valley Association of Health Centers, Inc.'s internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Monongahela Valley Association of Health Centers, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the board of directors, others within the Organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Tetrick & Battlett, PLLC

June 22, 2011

DHHR - Finance

JUN 29 2011

Date Received



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

Monongahela Valley Association of
Health Centers, Inc.
Fairmont, West Virginia

Compliance

We have audited Monongahela Valley Association of Health Centers, Inc's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Monongahela Valley Association of Health Centers, Inc's major federal programs for the year ended January 31, 2011. Monongahela Valley Association of Health Centers, Inc's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Monongahela Valley Association of Health Centers, Inc's management. Our responsibility is to express an opinion on Monongahela Valley Association of Health Centers, Inc's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Monongahela Valley Association of Health Centers, Inc's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Monongahela Valley Association of Health Centers, Inc's compliance with those requirements.

As described in item 2011-1 in the accompanying schedule of findings and questioned costs, Monongahela Valley Association of Health Centers, Inc. did not comply with requirements regarding the disclosure of federal funding information in advertisements that are applicable to its ARRA-Capital Improvement Program: CFDA# 93.703. Compliance with such requirements is necessary, in our opinion, for Monongahela Valley Association of Health Centers, Inc. to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Monongahela Valley Association of Health Centers, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended January 31, 2011.

Internal Control Over Compliance

Management of Monongahela Valley Association of Health Centers, Inc is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Monongahela Valley Association of Health Centers, Inc's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Monongahela Valley Association of Health Centers, Inc's internal control over compliance.

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

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

Monongahela Valley Association of Health Centers, Inc's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Monongahela Valley Association of Health Centers, Inc's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the board of directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Tetuck & Bartlett, PLLC

June 22, 2011

DHHR - Finance

JUN 29 2011

Date Received

MONONGAHELA VALLEY ASSOCIATION OF HEALTH CENTERS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JANUARY 31, 2011

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements of Monongahela Valley Association of Health Centers, Inc.
2. No significant deficiencies relating to the audit of the financial statements are reported in the report on internal control over financial reporting and 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 of the Monongahela Valley Association of Health Centers, Inc. were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the independent auditor's report on compliance with requirements that could have a direct and material effect on each major program and on internal control over compliance in accordance with OMB Circular A-133.
5. The auditor's report on compliance for the ARRA – Capital Improvement Program expresses a qualified opinion; the report on the remaining programs are unqualified.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs are the U.S. Department of Health and Human Services – ARRA – Capital Improvement Program CFDA #93 703 and ARRA – Increase in Services to Health Center CFDA #93.703.
7. The threshold for distinguishing between Type A and B programs was \$300,000.
8. Monongahela Valley Association of Health Centers, Inc. qualifies as a low risk auditee.

B. Findings – Financial Statements Audit

There were no findings identified in the financial statements audit.

MONONGAHELA VALLEY ASSOCIATION OF HEALTH CENTERS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE YEAR ENDED JANUARY 31, 2011

C. Findings - Major Federal Award Programs Audit

#2011-1 – Standard Terms of Grant Agreement

U.S Department of Health and Human Services

ARRA – Health Center Integrated Services Development Initiative
CFDA #93.703 - Capital Improvement Program

Condition and Criteria: We noted during our audit that the bid solicitations for projects partially funded by this grant did not contain the required disclosures pertaining to federal funding. The HHS Appropriations Act requires that when issuing statements, press releases, requests for proposals, bid solicitations, and other documents describing projects of programs funded in whole or in part with Federal money, all grantees receiving Federal funds, including but not limited to State and local governments, shall clearly state the percentage of the total costs of the program or project which will be financed with Federal money, the dollar amount of Federal funds for the project or program and percentage and a dollar amount of the total costs of the project or program that will be financed by nongovernmental sources.

Cause: Procedures were not established and followed to ensure that the Association complied with this grant term.

Effect: Failure to comply with the terms may result in a draw down restriction being placed on the Association's Payment Management System account or denial of future funding.

Recommendation: Responsibility of compliance with all terms of grant agreements should be assigned to appropriate individuals.

Audited Agency's Response: The Association has engaged the services of a consultant that specializes in grant funding and reporting to review future bid solicitations.

MONONGAHELA VALLEY ASSOCIATION OF HEALTH CENTERS, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JANUARY 31, 2011

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>
U.S. Department of Health and Human Services			
Direct Programs:			
Community Health Center	93.224	n/a	\$ 1,376,257
Affordable Care Act (ACA) Grants for Capital Development in Health Centers	93.526	n/a	44,322
ARRA - Grants to Health Center Programs - Increase Services to Health Center	93.703	n/a	116,749
ARRA - Grants to Health Center Programs - Capital Improvement Program	93.703	n/a	<u>550,785</u>
 Total U.S. Department of Health and Human Services			 <u>\$ 2,088,113</u>

The accompanying notes are an integral part of this schedule.

MONONGAHELA VALLEY ASSOCIATION OF HEALTH CENTERS, INC.
NOTES TO SCHEDULE OF FEDERAL AWARDS
FOR THE YEAR ENDED JANUARY 31, 2011

1. Basis of Presentation

The accompanying schedule of Expenditures of Federal Awards includes the federal grant activity of the Association and is prepared on the accrual basis of accounting. The information in the schedule is presented in accordance with requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of the financial statements.

MONONGAHELA VALLEY ASSOCIATION OF HEALTH CENTERS, INC.
 SCHEDULE OF STATE GRANT RECEIPTS AND EXPENDITURES
 FOR THE YEAR ENDED JANUARY 31, 2011

<u>Identifying State Grant Information</u>	<u>Period of Time</u>	<u>Amount of Award</u>	<u>Receipt of Funds</u>	<u>Expenditures of Funds</u>
DHHR – Uncompensated Care #G100086	07/01/09 – 06/30/10	49,679	33,047	18,107
DHHR – School Based #G100086	07/01/09 – 06/30/10	71,954	44,234	27,734
DHHR – Uncompensated Care #G110318	07/01/10 – 06/30/11	56,194	26,532	26,532
DHHR – School Based #G110318	07/01/10 – 06/30/11	72,193	<u>44,220</u>	<u>44,220</u>
 Total			<u>\$ 148,033</u>	<u>\$ 116,593</u>

The accompanying notes are an integral part of this schedule.