

Tug River Health Association, Inc.

**Financial Statements
and Supplementary Information**

January 31, 2012

DHHR - Finance

OCT 19 2012

Date Received

Tug River Health Association, Inc.

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Herman & Cormany

Certified Public Accountants, A.C.

Accountants & Consultants

Independent Auditors' Report

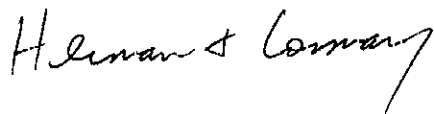
To the Board of Directors
Tug River Health Association, Inc.
Gary, West Virginia

We have audited the accompanying statement of financial position of Tug River Health Association, Inc. (a nonprofit organization) as of January 31, 2012, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Tug River Health Association, Inc.'s 2011 financial statements and, in our report dated August 16, 2011, we expressed an unqualified opinion on those financial statements.

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. 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 Tug River Health Association, Inc. as of January 31, 2012, and the changes in its net assets and its cash flows for the year 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 August 13, 2012 on our consideration of Tug River Health Association, 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 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 audit.



Charleston, WV
August 13, 2012

DHHR - Finance

OCT 19 2012

Date Received

Tug River Health Association, Inc.

Statement of Financial Position

January 31, 2012, with Comparative Totals
as of January 31, 2011

	<u>2012</u>	<u>2011</u>
Assets		
Cash on hand and in bank	\$ 887,042	\$ 797,950
Grants receivable	172,310	41,716
Due from patients, net of allowance for uncollectible accounts of \$345,997 in 2012 and \$346,290 in 2011	335,493	285,832
Accounts receivable		
Former employee	335,607	360,607
Employee signing advance	8,625	10,000
Medicaid EHR Incentive Program	42,500	-0-
Inventories	19,637	19,539
Prepays and deposits	20,732	14,948
Property and equipment	<u>809,353</u>	<u>940,539</u>
Total Assets	<u>\$2,631,299</u>	<u>\$2,471,131</u>
Liabilities and Net Assets		
Accounts payable	\$ 89,881	\$ 37,610
Accrued taxes and withholding	13,051	4,177
Accrued salaries and annual leave	151,350	137,609
Deferred revenues	<u>86,266</u>	<u>82,099</u>
Total Liabilities	<u>340,548</u>	<u>261,495</u>
Net Assets		
Unrestricted	<u>2,290,751</u>	<u>2,209,636</u>
Total Net Assets	<u>2,290,751</u>	<u>2,209,636</u>
Total Liabilities and Net Assets	<u>\$2,631,299</u>	<u>\$2,471,131</u>

See independent auditors' report and notes to financial statements.

Tug River Health Association, Inc.

Statement of Activities

For the Year Ended January 31, 2012, with Comparative Totals

For the Year Ended January 31, 2011

	2012			2011 Total
	Unrestricted	Temporarily Restricted	Total	
Revenues, Gains and Other Support				
Patient revenues	\$2,167,660	\$ -0-	\$2,167,660	\$2,269,480
Grants				
West Virginia Dept. of Health and Human Resources	-0-	738,914	738,914	469,308
Department of Health and Human Services	-0-	1,116,000	1,116,000	1,433,054
West Virginia Development Office	-0-	-0-	-0-	13,801
Marshall University School of Medicine	-0-	12,500	12,500	9,939
WVU Research Corporation	-0-	125,492	125,492	20,000
Other	-0-	1,000	1,000	9,991
Medicaid EHR Incentive Program	42,500	-0-	42,500	-0-
Interest	3,221	-0-	3,221	5,871
Net assets released from restrictions:				
Satisfaction of grant activities	<u>1,993,906</u>	<u>(1,993,906)</u>	<u>-0-</u>	<u>-0-</u>
Total Revenues, Gains, and Other Support	<u>4,207,287</u>	<u>-0-</u>	<u>4,207,287</u>	<u>4,231,444</u>
 Expenses and Losses				
Grants				
West Virginia Dept. of Health and Human Resources	738,914	-0-	738,914	469,308
Department of Health and Human Services	1,116,000	-0-	1,116,000	1,433,054
West Virginia Development Office	-0-	-0-	-0-	13,801
Marshall University School of Medicine	12,500	-0-	12,500	9,939
WVU Research Corporation	125,492	-0-	125,492	20,000
Other	1,000	-0-	1,000	9,991
Non-grant clinical services	1,065,813	-0-	1,065,813	1,167,451
Clinic administrative costs	<u>1,066,453</u>	<u>-0-</u>	<u>1,066,453</u>	<u>1,130,483</u>
Total Expenses and Losses	<u>4,126,172</u>	<u>-0-</u>	<u>4,126,172</u>	<u>4,254,027</u>
 Change in Net Assets	81,115	-0-	81,115	(22,583)
 Net Assets, Beginning of Year	<u>2,209,636</u>	<u>-0-</u>	<u>2,209,636</u>	<u>2,232,219</u>
 Net Assets, End of Year	<u>\$2,290,751</u>	<u>\$ -0-</u>	<u>\$2,290,751</u>	<u>\$2,209,636</u>

See independent auditors' report and notes to financial statements.

Tug River Health Association, Inc.

Statement of Cash Flows

For the Year Ended January 31, 2012, with
Comparative Totals for the Year Ended January 31, 2011

	<u>2012</u>	<u>2011</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 81,115	\$ (22,583)
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	155,453	156,651
Change in bad debt reserve	(293)	(250)
(Increase) decrease in grants receivable	(130,594)	14,562
Increase in accounts receivable	(49,368)	(64,763)
Decrease in accounts receivable – former employee	25,000	8,999
Decrease (increase) in employee signing advance	1,375	(10,000)
Increase in accounts receivable – Medicaid EHR Incentive Program	(42,500)	-0-
(Increase) decrease in inventories	(98)	947
Increase in prepaids and deposits	(5,784)	(6,071)
Increase (decrease) in accounts payable	52,271	(45,226)
Increase (decrease) in accrued taxes and withholdings	8,874	(66)
Increase in accrued salaries and annual leave	13,741	9,537
Increase (decrease) in deferred revenues	4,167	(14,398)
Net Cash Provided By Operating Activities	<u>113,359</u>	<u>27,339</u>
Cash Flows From Investing Activities		
Purchase of property and equipment	<u>(24,267)</u>	<u>(176,308)</u>
Net Cash Used In Investing Activities	<u>(24,267)</u>	<u>(176,308)</u>
Cash Flows From Financing Activities	<u>-0-</u>	<u>-0-</u>
Net Increase (Decrease) in Cash	89,092	(148,969)
Cash – Beginning of Year	<u>797,950</u>	<u>946,919</u>
Cash – End of Year	<u>\$ 887,042</u>	<u>\$ 797,950</u>
Supplemental disclosures of cash flow information:		
Interest paid	<u>\$ 1,336</u>	<u>\$ 869</u>

See independent auditors' report and notes to financial statements.

Tug River Health Association, Inc.

Notes to Financial Statements

**January 31, 2012 with Comparative Totals
as of January 31, 2011**

Note A – Summary of Significant Accounting Policies

Nature of Activities - Tug River Health Association, Inc. provides medical and dental care to rural areas of southern West Virginia. The Organization's revenues are received primarily from patient revenues and governmental grants supporting their various programs and health initiatives.

Inventories - Inventories consist of medical and other supplies to be consumed in the treatment of patients and the general operation of the facility. Inventories are stated at cost.

Basis of Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Revenue Recognition – All contributions and grants are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor or grantor are reported as temporarily or permanently restricted support and increase the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. Investment income that is limited to specific uses by donor restrictions is reported as increases in unrestricted net assets if the restrictions are met in the same reporting period as the income is recognized.

In-kind Contributions – As part of its operations in Pineville, West Virginia, the Organization pays the building owners \$1 per year for the rental of the facilities and its equipment. This amount is below market value, but due to the difficulty in determining a reasonable value for these items, no in-kind contributions are recorded for the additional value of these items.

Use of Estimates – Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Tug River Health Association, Inc.

Notes to Financial Statements

January 31, 2012, with Comparative Totals
as of January 31, 2011

Note A – Summary of Significant Accounting Policies (Continued)

Comparative Totals - The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended January 31, 2011, from which the summarized information was derived.

Advertising – Advertising costs are expensed as incurred. Advertising expense was \$33,892 and \$21,612 for the years ended January 31, 2012 and 2011, respectively

Property and Equipment – The Organization capitalizes all expenditures for property and equipment in excess of \$1,500. Property and equipment items are recorded at cost. Depreciation is computed by the straight-line method over the estimated useful lives of the assets. Depreciation expense for the years ended January 31, 2012 and 2011 was \$155,453 and \$156,651, respectively. The classification of these capitalized items are classified in the accompanying financial statements as follows, with comparative totals as of January 31, 2011:

	<u>2012</u>	<u>2011</u>
Land and improvements	\$ 129,058	\$ 129,058
Buildings and improvements	1,568,975	1,557,731
Vehicles, furniture and equipment	<u>696,118</u>	<u>683,096</u>
	2,394,151	2,369,885
Less accumulated depreciation	<u>1,584,798</u>	<u>1,429,346</u>
	<u>\$ 809,353</u>	<u>\$ 940,539</u>

Patient Revenues and Patient Accounts Receivable – Patient revenue and patient accounts receivable are derived primarily from patients in the McDowell and Wyoming County areas and are reported at the net realizable amounts from patients, third party payors, and others for services rendered. Credit extended to patients does not require collateral. The Organization utilizes the reserve method for accounting for bad debts. Management provides for uncollectible amounts within the allowance for doubtful accounts. Amounts that are deemed uncollectible are charged against the reserve.

Charity Care – The Organization provides care to patients, who meet certain criteria, without charge or at amounts less than its established rate under a sliding fee arrangement covered by grant funds. Because the Organization does not pursue collection of these amounts they are not included within net patient revenues. The amount of charity care approximated \$2,474,919 and \$2,372,441 for the years ended January 31, 2012 and 2011, respectively.

Tug River Health Association, Inc.

Notes to Financial Statements

**January 31, 2012 with Comparative Totals
as of January 31, 2011**

Note A – Summary of Significant Accounting Policies (Continued)

Deferred Revenues – Deferred revenues at January 31, 2012, with comparative totals as of January 31, 2011, are as follows:

	<u>2012</u>	<u>2011</u>
Grant funds received in advance of expenditures		
WV Department of Health and Human Resources	\$68,983	\$64,816
WV Health Care Authority	<u>17,283</u>	<u>17,283</u>
	<u>\$86,266</u>	<u>\$82,099</u>

Policy of Cash Equivalents - For purposes of the statement of cash flows, the Organization considers all highly liquid investments with a maturity of six months or less to be cash equivalents.

Income Taxes – The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Note B – Program and Other Expenditures

Directly identifiable expenses are charged to program and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. General operating expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Tug River Health Association, Inc.

Notes to Financial Statements

January 31, 2012 with Comparative Totals
as of January 31, 2011

Note B – Program and Other Expenditures (Continued)

Expenditures for the year ended January 31, 2012, with comparative totals as of January 31, 2011, were as follows:

	<u>Clinical Services</u>	<u>General Operating</u>	<u>Total</u>	<u>2011 Total</u>
Salaries and wages	\$1,927,498	\$ 481,789	\$2,409,287	\$2,359,824
Payroll taxes and benefits	358,415	93,337	451,752	510,071
Medical supplies and pharmacy	131,889	-0-	131,889	171,049
Office expense and advertising	23,779	89,939	113,718	32,994
Telephone and utilities	35,519	103,413	138,932	134,578
Maintenance, repairs and equipment rental	37,113	131,609	168,722	146,372
Insurance	8,022	23,442	31,464	25,502
Travel and conferences	51,665	2,979	54,644	26,685
Depreciation	138,982	16,471	155,453	156,651
Reference lab and supplies	133,528	-0-	133,528	208,152
Contractual and professional	40,934	194,385	235,319	356,338
Vehicle expenses	-0-	2,818	2,818	3,720
Interest	946	390	1,336	869
Other taxes and licenses	66,714	19,248	85,962	56,821
Occupancy	11,348	-0-	11,348	64,401
	<u>\$2,966,352</u>	<u>\$1,159,820</u>	<u>\$4,126,172</u>	<u>\$4,254,027</u>

Note C – Net Assets Released From Restrictions

Net assets were released from donor and grant restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors for the year ended January 31, 2012 as follows:

Purpose restriction accomplished:

Grants

WV Dept. of Health and Human Resources	\$ 738,914
Department of Health and Human Services	1,116,000
Marshall University School of Medicine	12,500
WVU Research Corporation	125,492
Other	1,000
	<u>\$1,993,906</u>

Note D – Line of Credit

The Organization has a \$50,000 line of credit with a bank. Advances under the line are payable on demand and carry an interest rate of 8.25%. The credit line is secured by property held by the Organization. There was no balance outstanding under this line of credit at January 31, 2012 and 2011.

Tug River Health Association, Inc.

Notes to Financial Statements

**January 31, 2012 with Comparative Totals
as of January 31, 2011**

Note E – Certificates of Deposit

Certificates of deposit totaling \$157,491 at January 31, 2012 are included in cash in the accompanying financial statements. The certificates bear interest at rates ranging from 10% to 60% and mature every six months with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

Note F – Concentration of Funds

The Organization receives a significant portion of its support from federal and state government grants and patient revenues at January 31, 2012 and 2011. A material reduction in the level of support or nonpayment of fees generated would have a significant impact on the Organization's programs and activities, and its ability to continue as a going concern.

Note G – Accounts Receivable – Former Employee

Beginning in April, 2008, the former CFO of the Organization embezzled a total of \$389,607 from its operating checking account until its discovery in July, 2011.

The former CFO has admitted guilt in the embezzlement, has agreed to pay restitution, and is currently incarcerated. As part of the restitution plan, a deed of trust for property held by the former CFO has been signed over to the Organization, and they will receive the proceeds from the sale of the property after the original loan on the property has been paid off. Based upon the asking price for the property, the Organization will receive a substantial portion of the total embezzlement as restitution upon its sale. Additionally, restitution payments were being made by the former CFO until she was incarcerated. As of January 31, 2012, the Organization had received \$54,000 in restitution from the former CFO and the Organization's insurance carrier, leaving a balance owed to the Organization of \$335,607. Despite the fact that the restitution payments due to the former CFO's incarceration has temporarily ceased, the Organization believes that based upon the proceeds that will be received when the property is sold and the former CFO's claims to make restitution, the entire amount due from the embezzlement is recorded as an accounts receivable in the accompanying financial statements.

The Organization is also computing interest on the amount owed by the former CFO on an annual basis in accordance with the terms of an agreement that was negotiated. Due to the nature of the calculation and the perceived collectability of the amount, the accrued interest on the accounts receivable is not recorded as of January 31, 2012.

Note H – Subsequent Events

Subsequent events were evaluated through August 13, 2012, which is the date the financial statements were available to be issued.

Supplementary Information

Herman & Cormany

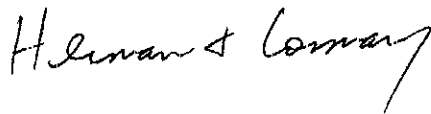
Certified Public Accountants, A.C.

Accountants & Consultants

Independent Auditors' Report on Supplementary Information

To the Board of Directors
Tug River Health Association, Inc.
Gary, West Virginia

We have audited the financial statements of Tug River Health Association, Inc. as of and for the year ended January 31, 2012, and have issued our report thereon dated August 13, 2012, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.



Charleston, WV
August 13, 2012

DHHR - Finance

OCT 19 2012

Date Received

Tug River Health Association, Inc.
Schedule of WVDHHR Funds Received

For the Year Ended January 31, 2012

<u>Grant Number</u>	<u>Grant Amount</u>	<u>Amount Billed as of 1-31-11</u>	<u>Deferred Revenue at 1-31-11</u>	<u>Amount Billed</u>	<u>Expenditures</u>	<u>Deferred Revenue at 1-31-12</u>	<u>Amount to Be Billed</u>
G110375	\$ 190,000	\$ 55,976	\$ -0-	\$ 134,024	\$ 134,024	\$ -0-	\$ -0-
G120361	177,000	-0-	-0-	147,346	147,346	-0-	29,654
G110332	444,961	260,563	64,817	184,398	249,215	-0-	-0-
G120244	<u>440,518</u>	<u>-0-</u>	<u>-0-</u>	<u>277,313</u>	<u>208,330</u>	<u>68,983</u>	<u>163,205</u>
	<u>\$1,252,479</u>	<u>\$ 316,539</u>	<u>\$ 64,817</u>	<u>\$ 743,081</u>	<u>\$ 738,915</u>	<u>\$ 68,983</u>	<u>\$192,859</u>

See independent auditors' report on supplementary information.

Tug River Health Association, Inc.
Schedule of Expenditures by Location
For the Year Ended January 31, 2012

	<u>Total</u>	<u>Gary</u>	<u>Northfork</u>	<u>Dental Clinic</u>	<u>Black Lung</u>
Expenditures					
Salaries	\$2,409,287	\$ 804,202	\$478,386	\$322,301	\$366,653
Payroll taxes and fringe benefits	451,752	198,364	65,559	56,415	43,712
Medical supplies and pharmacy	131,889	28,014	12,072	35,919	16,740
Vehicle expenses	2,818	1,667	-0-	-0-	996
Telephone and utilities	138,932	54,776	30,251	3,411	4,526
Travel and conferences	54,644	10,139	7,587	2,513	16,285
Reference lab and supplies	133,528	68,231	37,605	17,844	769
Office expenses and advertising	113,718	55,163	6,908	701	7,928
Contractual and professional	235,319	198,542	-0-	-0-	-0-
Equipment rental	47,637	23,296	12,799	-0-	-0-
Interest	1,336	1,336	-0-	-0-	-0-
Depreciation	155,453	82,181	25,744	-0-	14,803
Insurance	31,464	24,582	3,456	-0-	2,279
Repairs and maintenance	121,085	90,748	17,479	-0-	4,720
Dues, fees and licenses	14,900	9,197	1,240	245	1,127
Occupancy	71,062	17,933	14,812	-0-	-0-
Other taxes	11,348	6,993	3,297	-0-	1,058
Total Expenditures	<u>\$4,126,172</u>	<u>\$1,675,364</u>	<u>\$717,195</u>	<u>\$439,349</u>	<u>\$481,596</u>

See independent auditors' report on supplementary information.

<u>AHEC</u>	<u>CHAMP</u>	<u>M.I.H.</u>	<u>Pineville</u>	<u>School Based Health</u>	<u>Wellness</u>	<u>Riverview</u>
\$ -0-	\$ -0-	\$33,266	\$253,584	\$38,527	\$10,937	\$101,431
3,890	-0-	9,545	37,872	11,486	1,676	23,233
-0-	-0-	-0-	30,470	1,547	-0-	7,127
-0-	-0-	155	-0-	-0-	-0-	-0-
369	1,061	-0-	17,253	8,637	11,514	7,134
9,693	-0-	-0-	6,333	425	631	1,038
-0-	-0-	-0-	3,199	3,146	-0-	2,734
5,437	17,484	-0-	8,536	666	2,453	8,442
36,217	-0-	-0-	-0-	-0-	560	-0-
-0-	-0-	-0-	11,542	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	22,491	2,986	-0-	7,248	-0-
-0-	-0-	-0-	-0-	-0-	1,079	68
-0-	-0-	-0-	7,394	744	-0-	-0-
-0-	-0-	-0-	1,266	551	598	676
-0-	-0-	-0-	5,401	9,600	14,388	8,928
-0-	-0-	-0-	-0-	-0-	-0-	-0-
<u>\$55,606</u>	<u>\$18,545</u>	<u>\$65,457</u>	<u>\$385,836</u>	<u>\$75,329</u>	<u>\$51,084</u>	<u>\$160,811</u>

Tug River Health Association, Inc.
Schedule of Expenses by Service Type
For the Year Ended January 31, 2012

	<u>Total</u>	<u>Medical</u>	<u>Lab</u>	<u>X-Ray</u>	<u>Dental</u>
Expenditures					
Salaries	\$2,409,287	\$1,307,541	\$72,019	\$32,456	\$322,301
Payroll taxes and fringe benefits	451,752	-0-	-0-	-0-	-0-
Medical supplies and pharmacy	131,889	98,890	-0-	-0-	32,999
Vehicle expenses	2,818	-0-	-0-	-0-	-0-
Telephone and utilities	138,932	2,681	-0-	-0-	-0-
Travel and conferences	54,644	23,610	184	-0-	-0-
Reference lab and supplies	133,528	-0-	102,444	13,240	17,844
Office expenses and advertising	113,718	-0-	-0-	-0-	-0-
Contractual and professional	235,319	21,710	-0-	1,400	-0-
Equipment rental	47,637	-0-	-0-	-0-	-0-
Interest	1,336	946	-0-	-0-	-0-
Depreciation	155,453	43,968	-0-	-0-	22,491
Insurance	31,464	-0-	2,279	-0-	-0-
Repairs and maintenance	121,085	7,306	-0-	430	-0-
Dues, fees and licenses	14,900	7,000	-0-	-0-	-0-
Occupancy	71,062	-0-	-0-	-0-	-0-
Other taxes	<u>11,348</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Expenditures	<u>\$4,126,172</u>	<u>\$1,513,652</u>	<u>\$176,926</u>	<u>\$47,526</u>	<u>\$395,635</u>

See independent auditors' report on supplementary information.

<u>Other Health</u>	<u>Admin.</u>	<u>Facility</u>	<u>Fringes</u>
\$168,579	\$ 481,789	\$ 24,602	\$ -0-
-0-	3,000	-0-	448,752
-0-	-0-	-0-	-0-
-0-	2,818	-0-	-0-
-0-	103,413	32,838	-0-
27,871	2,979	-0-	-0-
-0-	-0-	-0-	-0-
-0-	89,939	23,779	-0-
17,824	194,385	-0-	-0-
-0-	47,637	-0-	-0-
-0-	390	-0-	-0-
-0-	16,471	72,523	-0-
-0-	23,442	5,743	-0-
-0-	83,972	29,377	-0-
-0-	7,900	-0-	-0-
-0-	-0-	71,062	-0-
-0-	11,348	-0-	-0-
<u>\$214,274</u>	<u>\$1,069,483</u>	<u>\$259,924</u>	<u>\$448,752</u>

Herman & Cormany

Certified Public Accountants, A.C.

Accountants & Consultants

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Tug River Health Association, Inc.
Gary, West Virginia

We have audited the financial statements of Tug River Health Association, Inc. (a nonprofit organization) as of and for the year ended January 31, 2012, and have issued our report thereon dated August 13, 2012. 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

Management of Tug River Health Association, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Tug River Health Association, 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 Tug River Health Association, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization'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.

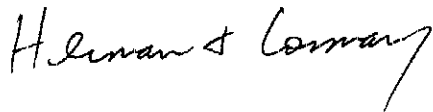
To the Board of Directors
Tug River Health Association, Inc.
Page two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tug River Health Association, 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*

We noted certain matters that we reported to management of Tug River Health Association, Inc. in a separate letter dated August 13, 2012.

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



Charleston, West Virginia
August 13, 2012

DHHR - Finance

OCT 19 2012

Date Received

Herman & Cormany

Certified Public Accountants, A.C.

Accountants & Consultants

Independent Auditors' 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

To the Board of Directors
Tug River Health Association, Inc.
Gary, West Virginia

Compliance

We have audited Tug River Health Association, 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 Tug River Health Association, Inc.'s major federal programs for the year ended January 31, 2012. Tug River Health Association, Inc.'s major federal programs are identified in the summary of auditors' 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 Tug River Health Association, Inc.'s management. Our responsibility is to express an opinion on Tug River Health Association, 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 Tug River Health Association, 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 Tug River Health Association, Inc.'s compliance with those requirements.

In our opinion, Tug River Health Association, 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, 2012.

To the Board of Directors
Tug River Health Association, Inc.
Page two

Internal Control Over Compliance

Management of Tug River Health Association, 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 Tug River Health Association, 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 Tug River Health Association, 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.

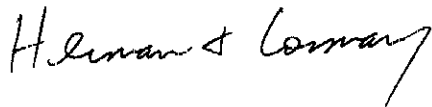
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of Tug River Health Association, Inc. as of and for the year ended January 31, 2012, and have issued our report thereon dated August 13, 2012, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards is presented for the 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. 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.

To the Board of Directors
Tug River Health Association, Inc.
Page three

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



Charleston, West Virginia
August 13, 2012

DHHR - Finance

OCT 19 2012

Date Received

Tug River Health Association, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended January 31, 2012

<u>Federal Grantor</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Disbursements/ Expenditures</u>
DIRECT AWARDS			
Department of Health and Human Services Community Health Centers Program	93.224	H80CS00701	\$1,095,140
Department of Health and Human Services Stimulus Funding			
ARRA-Grants to Health Center Programs	93.703	H8BCS12228	14,866
ARRA-Grants to Health Center Programs	93.703	C81CS13428	<u>5,994</u>
			<u>1,116,000</u>
PASS THROUGH AWARDS			
Department of Health and Human Services Passed Through the West Virginia Department of Health and Human Resources			
Coal Miners Respiratory Impairment Treatment Clinic and Services	93.965	G120376	124,958
Coal Miners Respiratory Impairment Treatment Clinic and Services	93.965	G110375	<u>115,053</u>
			<u>240,011</u>
Total expenditures of federal awards			<u>\$1,356,011</u>

Note A – Basis of Presentation

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

Tug River Health Association, Inc.
Summary Schedule of Prior Audit Findings
Year Ended January 31, 2011

MATERIAL WEAKNESS

2011-1 Segregation of Duties

Condition: The CFO of the Organization performs multiple accounting functions, including bank reconciliations, maintenance of the general ledger, recording of deposits and cash disbursements, etc.

Recommendation: Due to the limited budget of the Organization and its small accounting staff, a segregation of duties is always going to be an issue as it relates to the recording of accounting transactions. We recommend that duties be segregated as much as possible, utilizing other qualified staff or board members to provide additional oversight over transactions that occur.

Current Status: The Organization has segregated duties as much as possible with its limited staff, and has also hired an outside CPA firm to perform quarterly procedures to assist in the further segregation and review of responsibilities. The condition does not exist at January 31, 2012.

Tug River Health Association, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended January 31, 2012

Section 1 – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: unqualified

- Control deficiencies disclosed? _____ Yes x No
- Control deficiencies reported as a significant deficiency? _____ Yes x No
- Control deficiencies reported as a material weakness? _____ Yes x No

Noncompliance material to financial statements notes? _____ Yes x No

Federal Awards

Internal control over major programs:

- Control deficiencies identified? _____ Yes x No
- Control deficiencies reported as a significant deficiency? _____ Yes x No
- Control deficiencies reported as material weaknesses? _____ Yes x No

Type of auditors’ report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? x Yes _____ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
93.224	Community Health Centers Program
93.965	Coal Miners Respiratory Impairment Treatment Clinic and Services

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? _____ Yes x No

Tug River Health Association, Inc.
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended January 31, 2012

Section II - Financial Statement Findings

None.

Section III – Federal Award Findings and Questioned Costs

None.