

Tug River Health Association, Inc.

**Financial Statements
and Supplementary Information**

January 31, 2013

DHHR - Finance

NOV -6 2013

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

Report on the Financial Statements

We have audited the accompanying financial statements of Tug River Health Association, Inc. (a nonprofit organization) which comprise the statement of financial position as of January 31, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

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

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

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, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Tug River Health Association, Inc.'s 2012 financial statements, and our report dated August 13, 2012 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended January 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

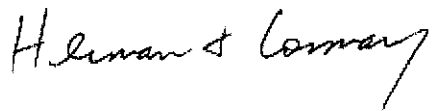
Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of WVDHHR funds received, the schedule of expenditures by location, and the schedule of expenses by service type are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2013, 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* in considering Tug River Health Association, Inc.'s internal control over financial reporting and compliance.



Charleston, WV
October 28, 2013

DHHR - Finance

NOV - 3 2013

Date Received

Tug River Health Association, Inc.

Statement of Financial Position

January 31, 2013, with Comparative Totals
as of January 31, 2012

	<u>2013</u>	<u>2012</u>
Assets		
Cash on hand and in bank	\$ 945,890	\$ 887,042
Grants receivable	71,808	172,310
Due from patients, net of allowance for uncollectible accounts of \$656,126 in 2013 and \$345,997 in 2012	440,304	335,493
Accounts receivable		
Former employee	335,607	335,607
Employee signing advance	5,375	8,625
Medicaid EHR Incentive Program	-0-	42,500
Inventories	24,012	19,637
Prepays and deposits	17,577	20,732
Property and equipment	<u>843,932</u>	<u>809,353</u>
Total Assets	<u>\$2,683,777</u>	<u>\$2,631,299</u>
Liabilities and Net Assets		
Accounts payable	\$ 85,841	\$ 89,881
Accrued taxes and withholding	39,340	13,051
Accrued salaries and annual leave	192,553	151,350
Deferred revenues	<u>86,266</u>	<u>86,266</u>
Total Liabilities	<u>404,000</u>	<u>340,548</u>
Net Assets		
Unrestricted	<u>2,279,777</u>	<u>2,290,751</u>
Total Net Assets	<u>2,279,777</u>	<u>2,290,751</u>
Total Liabilities and Net Assets	<u>\$2,683,777</u>	<u>\$2,631,299</u>

See accompanying notes to financial statements.

Tug River Health Association, Inc.

Statement of Activities

For the Year Ended January 31, 2013, with Comparative Totals
For the Year Ended January 31, 2012

	2013			2012 <u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
Revenues, Gains and Other Support				
Patient revenues	\$2,001,744	\$ -0-	\$2,001,744	\$2,167,660
Grants				
West Virginia Dept. of Health and Human Resources	-0-	585,172	585,172	738,914
Department of Health and Human Services	-0-	1,316,866	1,316,866	1,116,000
West Virginia Higher Education Policy Commission	-0-	10,200	10,200	-0-
Marshall University School of Medicine	-0-	37,500	37,500	12,500
WVU Research Corporation	-0-	105,893	105,893	125,492
Other	-0-	10,500	10,500	1,000
Medicaid EHR Incentive Program	21,250	-0-	21,250	42,500
Interest	1,173	-0-	1,173	3,221
Net assets released from restrictions:				
Satisfaction of grant activities	<u>2,066,131</u>	<u>(2,066,131)</u>	<u>-0-</u>	<u>-0-</u>
Total Revenues, Gains, and Other Support	<u>4,090,298</u>	<u>-0-</u>	<u>4,090,298</u>	<u>4,207,287</u>
Expenses and Losses				
Grants				
West Virginia Dept. of Health and Human Resources	585,172	-0-	585,172	738,914
Department of Health and Human Services	1,316,866	-0-	1,316,866	1,116,000
West Virginia Higher Education Policy Commission	10,200	-0-	10,200	-0-
Marshall University School of Medicine	37,500	-0-	37,500	12,500
WVU Research Corporation	105,893	-0-	105,893	125,492
Other	10,500	-0-	10,500	1,000
Non-grant clinical services	960,139	-0-	960,139	1,065,813
Clinic administrative costs	<u>1,075,002</u>	<u>-0-</u>	<u>1,075,002</u>	<u>1,066,453</u>
Total Expenses and Losses	<u>4,101,272</u>	<u>-0-</u>	<u>4,101,272</u>	<u>4,126,172</u>
Change in Net Assets	(10,974)	-0-	(10,974)	81,115
Net Assets, Beginning of Year	<u>2,290,751</u>	<u>-0-</u>	<u>2,290,751</u>	<u>2,209,636</u>
Net Assets, End of Year	<u>\$2,279,777</u>	<u>\$ -0-</u>	<u>\$2,279,777</u>	<u>\$2,290,751</u>

See accompanying notes to financial statements.

Tug River Health Association, Inc.

Statement of Cash Flows

**For the Year Ended January 31, 2013, with
Comparative Totals for the Year Ended January 31, 2012**

	<u>2013</u>	<u>2012</u>
Cash Flows From Operating Activities		
Change in net assets	\$ (10,974)	\$ 81,115
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	152,401	155,453
Change in bad debt reserve	310,129	(293)
Decrease (increase) decrease in grants receivable	101,230	(130,594)
Increase in accounts receivable	(414,940)	(49,368)
Decrease in accounts receivable – former employee	-0-	25,000
Decrease in employee signing advance	3,250	1,375
Decrease (increase) in accounts receivable – Medicaid EHR Incentive Program	42,500	(42,500)
Increase in inventories	(4,375)	(98)
Decrease (increase) in prepaids and deposits	3,155	(5,784)
(Decrease) increase in accounts payable	(4,040)	52,271
Increase in accrued taxes and withholdings	26,289	8,874
Increase in accrued salaries and annual leave	41,203	13,741
Increase in deferred revenues	-0-	4,167
Net Cash Provided By Operating Activities	<u>245,828</u>	<u>113,359</u>
Cash Flows From Investing Activities		
Purchase of property and equipment	(186,980)	(24,267)
Net Cash Used In Investing Activities	<u>(186,980)</u>	<u>(24,267)</u>
Cash Flows From Financing Activities	<u>-0-</u>	<u>-0-</u>
Net Increase in Cash	58,848	89,092
Cash – Beginning of Year	<u>887,042</u>	<u>797,950</u>
Cash – End of Year	<u>\$ 945,890</u>	<u>\$ 887,042</u>
Supplemental disclosures of cash flow information:		
Interest paid	<u>\$ 4,283</u>	<u>\$ 1,336</u>

See accompanying notes to financial statements.

Tug River Health Association, Inc.

Notes to Financial Statements

**January 31, 2013 with Comparative Totals
as of January 31, 2012**

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.

Financial Statement Presentation – Under generally accepted accounting principles (GAAP) for not-for-profit organizations, the Organization is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, which represents the expendable resources that are available for operations at management's discretion; temporarily restricted net assets, which represents resources restricted by grantors or donors as to purpose or by the passage of time; and permanently restricted net assets, which represents resources whose use by the organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization. The Fund presently has no temporarily or permanently restricted net assets.

Tug River Health Association, Inc.

Notes to Financial Statements

January 31, 2013, with Comparative Totals
as of January 31, 2012

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, 2012, from which the summarized information was derived.

Advertising – Advertising costs are expensed as incurred. Advertising expense was \$28,812 and \$33,892 for the years ended January 31, 2013 and 2012, 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, 2013 and 2012 was \$152,401 and \$155,453, respectively. The classification of these capitalized items are classified in the accompanying financial statements as follows, with comparative totals as of January 31, 2012:

	<u>2013</u>	<u>2012</u>
Land and improvements	\$ 129,058	\$ 129,058
Buildings and improvements	1,573,260	1,568,975
Vehicles, furniture and equipment	<u>834,956</u>	<u>696,118</u>
	2,537,274	2,394,151
Less accumulated depreciation	<u>1,693,342</u>	<u>1,584,798</u>
	<u>\$ 843,932</u>	<u>\$ 809,353</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 \$2,295,050 and \$2,474,919 for the years ended January 31, 2013 and 2012, respectively.

Tug River Health Association, Inc.

Notes to Financial Statements

**January 31, 2013 with Comparative Totals
as of January 31, 2012**

Note A – Summary of Significant Accounting Policies (Continued)

Deferred Revenues – Deferred revenues at January 31, 2013, with comparative totals as of January 31, 2012, are as follows:

	<u>2013</u>	<u>2012</u>
Grant funds received in advance of expenditures		
WV Department of Health and Human Resources	\$68,983	\$68,983
WV Health Care Authority	<u>17,273</u>	<u>17,283</u>
	<u>\$86,266</u>	<u>\$86,266</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).

As of January 31, 2013, the tax years that remain subject to examination by taxing authorities begin with 2010. Tax returns for 2010, 2011 and 2012 remain open to examination by taxing authorities. Management believes that all positions taken in those returns would be sustained if examined by taxing authorities.

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, 2013 with Comparative Totals
as of January 31, 2012

Note B – Program and Other Expenditures (Continued)

Expenditures for the year ended January 31, 2013, with comparative totals as of January 31, 2012, were as follows:

	<u>Clinical Services</u>	<u>General Operating</u>	<u>Total</u>	<u>2012 Total</u>
Salaries and wages	\$1,904,912	\$513,220	\$2,418,132	\$2,409,287
Payroll taxes and benefits	375,660	102,209	477,869	451,752
Medical supplies and pharmacy	111,025	-0-	111,025	131,889
Office expense and advertising	26,081	98,793	124,874	113,718
Telephone and utilities	39,022	107,651	146,673	138,932
Maintenance, repairs and equipment rental	45,737	106,645	152,382	168,722
Insurance	4,664	31,965	36,629	31,464
Travel and conferences	45,529	4,708	50,237	54,644
Depreciation	138,184	14,717	152,901	155,453
Reference lab and supplies	124,236	-0-	124,236	133,528
Contractual and professional	31,855	174,785	206,640	235,319
Vehicle expenses	-0-	2,762	2,762	2,818
Interest	3,435	848	4,283	1,336
Other taxes and licenses	8,150	17,908	26,058	85,962
Occupancy	66,571	-0-	66,571	11,348
	<u>\$2,925,061</u>	<u>\$1,176,211</u>	<u>\$4,101,272</u>	<u>\$4,126,172</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, 2013 as follows:

Purpose restriction accomplished:

Grants

WV Dept. of Health and Human Resources	\$ 585,172
Department of Health and Human Services	1,316,866
WV Higher Education Policy Commission	37,500
Marshall University School of Medicine	105,893
WVU Research Corporation	10,500
Other	10,200
	<u>\$2,066,131</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, 2013 and 2012.

Tug River Health Association, Inc.

Notes to Financial Statements

**January 31, 2013 with Comparative Totals
as of January 31, 2012**

Note E – Certificates of Deposit

Certificates of deposit totaling \$157,650 at January 31, 2013 are included in cash in the accompanying financial statements. The certificates bear interest at rates ranging from .15% to .25% 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, 2013 and 2012. 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, 2009.

The former CFO has admitted guilt in the embezzlement and has agreed to pay restitution. 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 are periodically made by the former CFO. As of January 31, 2013, 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 no restitution payments were received during the year ended January 31, 2013, 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, 2013.

Note H – Subsequent Events

Subsequent events were evaluated through October 28, 2013, which is the date the financial statements were available to be issued, and determined that there are no subsequent events that require disclosure.

Supplementary Information

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

For the Year Ended January 31, 2013

<u>Grant Number</u>	<u>Grant Amount</u>	<u>Amount Billed as of 1-31-12</u>	<u>Deferred Revenue at 1-31-12</u>	<u>Amount Billed</u>	<u>Expenditures</u>	<u>Deferred Revenue at 1-31-13</u>	<u>Amount to Be Billed</u>
G130136	\$ 177,000	\$ -0-	\$ -0-	\$115,000	\$115,000	\$ -0-	\$ 62,000
G120361	177,000	147,346	-0-	29,654	29,654	-0-	-0-
G130058	441,207	-0-	-0-	277,313	208,330	68,983	163,894
G120244	<u>440,518</u>	<u>277,313</u>	<u>68,983</u>	<u>163,205</u>	<u>232,188</u>	<u>-0-</u>	<u>-0-</u>
	<u>\$1,235,725</u>	<u>\$424,659</u>	<u>\$68,983</u>	<u>\$585,172</u>	<u>\$585,172</u>	<u>\$68,983</u>	<u>\$225,894</u>

See independent auditors' report on supplementary information.

Tug River Health Association, Inc.
Schedule of Expenditures by Location
For the Year Ended January 31, 2013

	<u>Total</u>	<u>Gary</u>	<u>Northfork</u>	<u>Dental Clinic</u>	<u>Black Lung</u>
Expenditures					
Salaries	\$2,418,132	\$ 836,685	\$540,211	\$320,244	\$344,058
Payroll taxes and fringe benefits	477,869	213,800	69,087	60,438	42,785
Medical supplies and pharmacy	111,025	18,556	12,775	32,277	6,703
Vehicle expenses	2,762	1,756	-0-	-0-	960
Telephone and utilities	146,673	61,283	32,553	3,875	4,530
Travel and conferences	50,237	10,738	5,301	1,527	11,521
Reference lab and supplies	124,236	57,181	40,775	9,259	506
Office expenses and advertising	124,874	73,836	16,635	161	4,765
Contractual and professional	206,640	201,540	-0-	-0-	-0-
Equipment rental	44,275	19,756	13,373	-0-	-0-
Interest	4,283	4,283	-0-	-0-	-0-
Depreciation	152,901	69,353	38,578	-0-	13,684
Insurance	36,629	30,944	3,521	-0-	2,164
Repairs and maintenance	108,107	78,500	14,173	2,119	8,940
Dues, fees and licenses	16,278	8,419	2,545	1,691	2,313
Occupancy	66,571	14,478	14,478	-0-	-0-
Other taxes	9,780	6,305	2,979	-0-	362
Total Expenditures	<u>\$4,101,272</u>	<u>\$1,707,413</u>	<u>\$806,984</u>	<u>\$431,591</u>	<u>\$443,291</u>

See independent auditors' report.

<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-	\$24,712	\$226,399	\$21,926	\$ 7,779	\$ 96,118
7,435	1,583	5,934	40,148	11,101	974	24,584
-0-	-0-	16	30,028	3,838	-0-	6,832
-0-	-0-	46	-0-	-0-	-0-	-0-
1,279	1,021	-0-	20,032	6,520	8,886	6,694
15,102	422	-0-	4,095	1,187	171	173
-0-	-0-	-0-	9,863	2,732	-0-	3,920
4,143	15,387	-0-	6,814	1,031	1,356	746
-0-	-0-	-0-	5,100	-0-	-0-	-0-
-0-	-0-	-0-	11,146	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	20,273	4,231	-0-	6,782	-0-
-0-	-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	3,541	194	640	-0-
-0-	-0-	-0-	429	881	-0-	-0-
-0-	-0-	-0-	7,476	10,573	8,321	11,245
-0-	-0-	-0-	134	-0-	-0-	-0-
<u>\$27,959</u>	<u>\$18,413</u>	<u>\$50,981</u>	<u>\$369,436</u>	<u>\$59,983</u>	<u>\$34,909</u>	<u>\$150,312</u>

Tug River Health Association, Inc.
Schedule of Expenses by Service Type
For the Year Ended January 31, 2013

	<u>Total</u>	<u>Medical</u>	<u>Lab</u>	<u>X-Ray</u>	<u>Dental</u>
Expenditures					
Salaries	\$2,418,132	\$1,309,178	\$64,303	\$33,515	\$320,244
Payroll taxes and fringe benefits	477,869	-0-	-0-	-0-	-0-
Medical supplies and pharmacy	111,025	78,732	-0-	-0-	32,293
Vehicle expenses	2,762	-0-	-0-	-0-	-0-
Telephone and utilities	146,673	2,830	-0-	-0-	-0-
Travel and conferences	50,237	14,335	294	-0-	-0-
Reference lab and supplies	124,236	-0-	108,811	6,167	9,258
Office expenses and advertising	124,874	-0-	-0-	-0-	-0-
Contractual and professional	206,640	16,360	-0-	1,200	-0-
Equipment rental	44,275	-0-	-0-	-0-	-0-
Interest	4,283	3,435	-0-	-0-	-0-
Depreciation	152,901	43,737	-0-	-0-	20,273
Insurance	36,629	-0-	2,164	-0-	-0-
Repairs and maintenance	108,107	14,855	65	9,711	-0-
Dues, fees and licenses	16,278	8,150	-0-	-0-	-0-
Occupancy	66,571	-0-	-0-	-0-	-0-
Other taxes	9,780	-0-	-0-	-0-	-0-
Total Expenditures	<u>\$4,101,272</u>	<u>\$1,491,612</u>	<u>\$175,637</u>	<u>\$50,593</u>	<u>\$382,068</u>

See independent auditors' report.

<u>Other Health</u>	<u>Admin.</u>	<u>Facility</u>	<u>Fringes</u>
\$154,237	\$ 513,220	\$ 23,435	\$ -0-
-0-	1,000	-0-	476,869
-0-	-0-	-0-	-0-
-0-	2,762	-0-	-0-
-0-	107,651	36,192	-0-
30,900	4,708	-0-	-0-
-0-	-0-	-0-	-0-
-0-	98,793	26,081	-0-
14,295	174,785	-0-	-0-
-0-	44,275	-0-	-0-
-0-	848	-0-	-0-
-0-	14,717	74,174	-0-
-0-	31,965	2,500	-0-
-0-	62,370	21,106	-0-
-0-	8,128	-0-	-0-
-0-	-0-	66,571	-0-
-0-	9,780	-0-	-0-
<u>\$199,432</u>	<u>\$1,075,002</u>	<u>\$250,059</u>	<u>\$476,869</u>

Herman & Cormany

Certified Public Accountants, A.C.

Accountants & Consultants

**Independent Auditors' 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Tug River Health Association, Inc. (a nonprofit organization), which comprise the statement of financial position as of January 31, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 28, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Tug River Health Association, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Tug River Health Association, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency at item 2013-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tug River Health Association, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as item 2013-001.

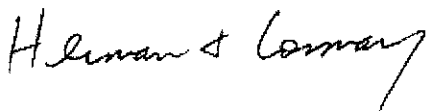
We noted certain matters that we reported to management of Tug River Health Association, Inc. in a separate letter dated October 28, 2013.

Tug River Health Association, Inc.'s Response to Findings

Tug River Health Association, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Tug River Health Association, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communications is not suitable for any other purpose.



Charleston, West Virginia
October 28, 2013

DHHR - Finance

NOV - 8 2013

Date Received

Herman & Cormany

Certified Public Accountants, A.C.

Accountants & Consultants

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

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, 2013. Tug River Health Association, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Tug River Health Association, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. 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.

To the Board of Directors
Tug River Health Association, Inc.
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We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Tug River Health Association, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Tug River Health Association, Inc.'s complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended January 31, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2013-001. Our opinion on each major federal program is not modified with respect to these matters.

Tug River Health Association, Inc.'s response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Tug River Health Association, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of Tug River Health Association, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Tug River Health Association, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 Tug River Health Association, Inc.'s internal control over compliance.

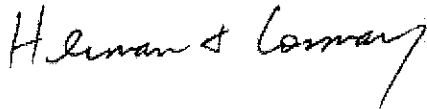
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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

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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2013-001 to be a significant deficiency.

Tug River Health Association, Inc.'s response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Tug River Health Association, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Charleston, West Virginia
October 28, 2013

Tug River Health Association, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended January 31, 2013

<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	\$1,164,370
Department of Health and Human Services Stimulus Funding ARRA-Grants to Health Center Programs	93.703	C81CS13428	<u>152,496</u> <u>1,316,866</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	G120361	25,148
Coal Miners Respiratory Impairment Treatment Clinic and Services	93.965	G130136	<u>97,526</u> <u>122,674</u>
Total expenditures of federal awards			<u>\$1,439,540</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.
Schedule of Findings and Questioned Costs
For the Year Ended January 31, 2013

Section 1 – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: unmodified

Internal control over financial reporting:

- Material weakness identified? ___ Yes x No
- Significant deficiency identified? x Yes ___ No

Noncompliance material to financial statements noted? ___ Yes x No

Federal Awards

Internal control over major programs:

- Material weakness identified? ___ Yes x No
- Significant deficiency identified? x Yes ___ No

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

Any audit findings disclosed that are required to be reported in accordance with section 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

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, 2013

Section II - Financial Statement Findings

2013-001 General Ledger Maintenance

Criteria: The Organization's financial statements should be prepared on the accrual basis of accounting and should reflect throughout the year accurate financial information.

Condition: Significant adjustments were required at year end to the general ledger/financial statements provided by the Organization to arrive at the audited financial statement amounts.

Context: Adjustments were made during normal audit procedures performed to reconcile and verify various account information.

Effect: By providing information to the board of directors and management on an ongoing basis that required significant adjustments, it could possibly effect decisions that are made on an ongoing basis about the Organization and its current financial situation.

Cause: The general ledger was not maintained on an ongoing basis, as all accounts were not regularly reconciled and adjusted accordingly.

Recommendation: The Organization should develop a system for reviewing accounts with significant account balances, should reconcile all bank accounts on a timely basis, and should make the proper adjustments on an ongoing basis.

Views of Responsible Officials and Planned Corrective Actions: We concur with the recommendation as presented and will work toward reconciling accounts on an ongoing basis in order to provide accurate information to management and the board of directors on an ongoing basis.

Section III – Federal Award Findings and Questioned Costs

Same as listed in Section II above. The finding affects all federal awards detailed in the Schedule of Expenditures of Federal Awards.