

Audited Financial Statements



LOGAN MINGO AREA
MENTAL HEALTH

Years Ended June 30, 2013 and 2012

DHHR - Finance

MAY 15 2015

Date Received

Audited Financial Statements
LOGAN-MINGO AREA MENTAL HEALTH, INC.
Years Ended June 30, 2013 and 2012

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Logan-Mingo Area Mental Health, Inc.
Logan, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of Logan Mingo Area Mental Health, Inc. (the Center) which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years 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 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 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 Logan Mingo Area Mental Health, Inc. as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of BHHF funded fixed assets and BHHF funding status are presented for purposes of additional analysis as required by the West Virginia Department of Health and Human Resources, Bureau for Behavioral Health and Health Facilities (BHHF), 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 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 April 22, 2014, on our consideration of the Center'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 the Center's internal control over financial reporting and compliance.

Gibbons & Kawash, A.C.

Charleston, West Virginia
April 22, 2014

DHHR - Finance

MAY 15 2015

Date Received

LOGAN MINGO AREA MENTAL HEALTH, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2013 and 2012

<u>ASSETS</u>	<u>2013</u>	<u>2012</u>
Current assets:		
Cash and cash equivalents	\$ 1,060,231	\$ 662,229
Accounts receivable, less allowance for doubtful accounts of \$107,339 and \$95,759 at June 30, 2013 and 2012, respectively	502,155	422,682
Grants receivable	182,001	252,666
Other	<u>8,130</u>	<u>9,417</u>
Total current assets	<u>1,752,517</u>	<u>1,346,994</u>
Certificates of deposit	532,162	527,929
Property and equipment, less accumulated depreciation	<u>869,641</u>	<u>1,066,848</u>
Total assets	<u>\$ 3,154,320</u>	<u>\$ 2,941,771</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 161,400	\$ 139,051
Accrued and withheld liabilities	166,973	160,122
Accrued annual leave	<u>136,421</u>	<u>136,008</u>
Total current liabilities	<u>464,794</u>	<u>435,181</u>
Unrestricted net assets	<u>2,689,526</u>	<u>2,506,590</u>
Total liabilities and net assets	<u>\$ 3,154,320</u>	<u>\$ 2,941,771</u>

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

LOGAN MINGO AREA MENTAL HEALTH, INC.

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Changes in unrestricted net assets:		
Revenues:		
Net patient revenue	\$ 4,859,834	\$ 4,597,732
State and federal grant	2,255,722	2,271,584
Local and county grant	31,602	32,657
Contracted services	34,286	46,517
	<u>7,181,444</u>	<u>6,948,490</u>
Non-operating revenues:		
Interest	4,926	7,494
Total unrestricted revenues	<u>7,186,370</u>	<u>6,955,984</u>
Expenses and losses:		
Salaries and wages	3,090,849	3,144,264
Employee benefits	990,966	1,032,394
Contracted services	1,800,425	1,472,910
Facility	204,878	195,961
Repairs and maintenance	22,796	21,249
Travel	143,771	114,592
Bad debt	82,052	64,247
Provider tax	97,039	78,447
Depreciation	99,858	97,575
Food and drug	56,118	47,699
Miscellaneous	60,380	49,494
Office supplies	27,232	24,728
Telephone	28,806	28,863
Printing and postage	47,251	41,773
Professional fees	67,312	56,321
Subscriptions and books	16,275	13,846
Insurance	40,925	56,222
Accounting	26,501	17,514
Loss on abandonment of software	100,000	-
Total expenses	<u>7,003,434</u>	<u>6,558,099</u>
Change in net assets	182,936	397,885
Net assets, beginning of year	<u>2,506,590</u>	<u>2,108,705</u>
Net assets, end of year	<u>\$ 2,689,526</u>	<u>\$ 2,506,590</u>

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

LOGAN MINGO AREA MENTAL HEALTH, INC.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Change in net assets	\$ 182,936	\$ 397,885
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Provision for bad debts	82,052	64,247
Depreciation	99,858	97,575
Loss on abandonment of software	100,000	-
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(161,525)	(145,203)
Grants receivable	70,665	9,835
Other	1,287	4,428
Increase (decrease) in:		
Accounts payable	22,349	18,135
Accrued and withheld liabilities	6,851	(26,993)
Accrued annual leave	413	(10,842)
Net cash provided by operating activities	<u>404,886</u>	<u>409,067</u>
Cash flows from investing activities:		
Purchases of property and equipment	(2,651)	(125,970)
Maturities of certificates of deposit	-	180,877
Purchases of certificates of deposit	(4,233)	(187,665)
Net cash used in investing activities	<u>(6,884)</u>	<u>(132,758)</u>
Net increase in cash and cash equivalents	398,002	276,309
Cash and cash equivalents, beginning of year	<u>662,229</u>	<u>385,920</u>
Cash and cash equivalents, end of year	<u>\$ 1,060,231</u>	<u>\$ 662,229</u>

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

LOGAN-MINGO AREA MENTAL HEALTH, INC.

NOTES TO FINANCIAL STATEMENTS

1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIESDescription of Organization

Logan-Mingo Area Mental Health, Inc. (the Center) is a nonprofit, nonstock corporation organized under the laws of the State of West Virginia. The primary purpose of the Center is to develop, operate, and maintain facilities and services for mentally ill and developmentally delayed individuals and substance abuse in Logan and Mingo Counties in West Virginia.

Basis of Accounting

Revenues and expenses are recognized on the accrual basis of accounting. Accordingly, revenues are recognized when earned, and expenses are recognized when the obligation is incurred. The Center recognizes grant revenues when qualifying expenditures are incurred.

Cash and Cash Equivalents

The Center considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

Net Client Revenues

The Center has agreements with third-party payors that provide for payments to the Center at amounts different from its established rates. Net client revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated contractual adjustments under reimbursement agreements with third party payors. The allowance for doubtful accounts is based on management's experience, analysis of the age of individual accounts, and likelihood of collection. Interest is not charged on past due balances.

The Center has a policy of providing care to individuals regardless of their ability to pay. Such care is provided to eligible individuals based on financial information provided by the individual. Since the Center does not expect payment, charges are recorded at established rates, offset by allowances for uncompensated care, as applicable, and not reported as revenues.

Property and Equipment

Property and equipment are stated at cost. Major purchases and improvements are capitalized while repairs and maintenance are expensed as incurred. Donations of property and equipment are recorded as increases in unrestricted net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. Estimated useful lives are as follows:

Buildings and improvements	5 - 40 years
Vehicles and equipment	5 - 15 years

Income Taxes

The Center is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, the Center qualifies for charitable contributions deductions under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

LOGAN-MINGO AREA MENTAL HEALTH, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)**1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Income Taxes (Continued)

The Center is generally no longer subject to examinations by taxing authorities for years prior to June 30, 2010.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

The date to which events occurring after June 30, 2013, have been evaluated for possible adjustment to or disclosure in the financial statements is April 22, 2014, which is the date the financial statements were available to be issued.

2 - RESTATEMENT

The Center has restated its financial statements for the year ended June 30, 2012, to reflect certain adjustments, described in the following paragraph, which management has determined are necessary to present the financial statements in accordance with accounting principles generally accepted in the United States of America.

During the year ended June 30, 2013, the Center determined that certain contracted waiver expenses incurred as of June 30, 2012, had not been recognized as required by generally accepted accounting principles. The adjustment had the effect of decreasing net income for the year ended June 30, 2012, by \$33,520, decreasing net assets as of July 1, 2011, by \$94,873, and increasing accounts payable as of June 30, 2012, by \$128,392.

3 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Land	\$ 143,633	\$ 143,633
Buildings and improvements	2,406,126	2,403,475
Vehicles	400,055	400,055
Equipment	527,586	527,586
Furniture	62,032	62,032
Software	-	100,000
	<u>3,539,432</u>	<u>3,636,781</u>
Less accumulated depreciation	<u>2,669,791</u>	<u>2,569,933</u>
	<u>\$ 869,641</u>	<u>\$ 1,066,848</u>

LOGAN-MINGO AREA MENTAL HEALTH, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)**3 - PROPERTY AND EQUIPMENT (Continued)**

Property and equipment includes certain buildings and land provided to the Center by the State of West Virginia under long-term leases which require annual payments of \$1 for terms of ninety-nine years expiring in 2076. The cost of such buildings was \$1,915,785 while accumulated depreciation related to these buildings was \$1,614,209 and \$1,566,314 at June 30, 2013 and 2012, respectively. Land provided to the Center by the State amounted to \$143,633 as of June 30, 2013 and 2012.

The cost of property and equipment purchased with Bureau of Behavioral Health & Health Facilities grant funds and related accumulated depreciation was \$281,402 and \$98,219, respectively, at June 30, 2013, and \$281,402 and \$86,336, respectively, at June 30, 2012.

Continued use of these facilities and equipment is contingent upon the Center continuing to provide treatment to persons who are emotionally disturbed or developmentally disabled. Management believes that it is highly unlikely the Center would discontinue providing these services. Accordingly, the value of the facilities and equipment has been reported as an increase in unrestricted net assets and has been capitalized and depreciated.

4 - DEBT

As of June 30, 2013, the Center had \$150,000 available on a line of credit, which is secured by certificates of deposits. The line bears interest at 3.0% and matures April 23, 2014.

5 - RETIREMENT PLAN

The Center has a profit sharing plan (the Plan) covering virtually all of its employees. The Center's annual discretionary contribution is determined by the Board of Directors in an amount not to exceed 5.5% of participants' compensation. Retirement expense for the years ended June 30, 2013 and 2012, was \$77,423 and \$81,221, respectively. The Plan was terminated effective December 31, 2013.

6 - THIRD-PARTY TRANSACTIONS AND ECONOMIC DEPENDENCY

The Center has agreements with Medicaid, Medicare, and other third party payors that provide for payments to the Center at predetermined amounts that differ from its standard rates. The ability of the Center to receive future payments from Medicaid depends on legislation enacted and resources available to the State of West Virginia. Revenue recognized from patient services during the years ended June 30, 2013 and 2012, is as follows:

	<u>2013</u>	<u>2012</u>
Gross patient revenue:		
Medicaid	\$ 630,592	\$ 597,044
Medicaid waiver	3,677,449	3,511,280
Private pay, charity care, and uncompensated care	1,041,441	980,855
Insurance and other	<u>445,825</u>	<u>444,578</u>
	5,795,307	5,533,757
Less contractual adjustments and uncompensated care	<u>935,473</u>	<u>936,025</u>
Net patient revenue	<u>\$ 4,859,834</u>	<u>\$ 4,597,732</u>

LOGAN-MINGO AREA MENTAL HEALTH, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)**7 - UNCOMPENSATED CARE**

Uncompensated care services, as measured by gross charges foregone were \$553,000 and \$502,000 for the years ended June 30, 2013 and 2012, respectively. Of the Center's total expenses reported for the years ended June 30, 2013 and 2012, an estimated \$447,000 and \$394,000, respectively, arose from providing services to qualified charity patients. The estimated costs of providing charity services are based on a calculation which applies a ratio of costs of charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on the Center's total expenses, less provision for bad debts, divided by gross patient service revenue. The Center received grants to offset the costs of uncompensated care in the amount of \$901,980 and \$938,571, respectively, for the years ended June 30, 2013 and 2012.

8 - CONCENTRATIONS

Financial instruments which potentially expose the Center to significant concentrations of credit risk consist of cash and cash equivalents, certificates of deposit, and accounts receivable.

To limit concentration of credit risk associated with cash and cash equivalents and certificates of deposit, the Center places its cash with high quality financial institutions. At times, the balances in such institutions may exceed amounts covered by FDIC insurance. Those amounts in excess of FDIC insurance are collateralized by bonds in the Center's name, which are held by a third party. The Center receives payments for services from Medicaid, Medicare, private payors, and certain governmental agencies. The ability of these parties to honor their obligations is partially dependent upon the economic condition of the State of West Virginia. The Center provides allowances for potential losses, which, when realized, have been within the range of management's expectations.

9 - LEASES

The Center leases certain facilities and equipment under non-cancellable operating leases expiring in various years through 2017. Rental expense for operating leases was approximately \$20,773 and \$16,805 for the years ended June 30, 2013 and 2012, respectively.

The minimum future lease payments under the various operating leases are as follows:

2014	\$	13,968
2015		7,774
2016		5,965
2017		<u>2,485</u>
	\$	<u>30,192</u>

LOGAN-MINGO AREA MENTAL HEALTH, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)**10 - FUNCTIONAL EXPENSES**

The Center provides mental health services to mentally ill and developmentally delayed individuals and substance abuse services in Logan and Mingo Counties in West Virginia. Expenses related to providing these services for the years ended June 30, 2013 and 2012, are as follows:

	<u>2013</u>	<u>2012</u>
Health care services	\$ 6,131,948	\$ 5,732,284
General and administrative	<u>871,486</u>	<u>825,815</u>
	<u>\$ 7,003,434</u>	<u>\$ 6,558,099</u>

SUPPLEMENTARY INFORMATION

LOGAN MINGO AREA MENTAL HEALTH, INC.
SCHEDULE OF BHHF FUNDED FIXED ASSETS

June 30, 2013

Description	Date Acquired	Cost	Program
Breathalyzers	08/19/98	1,040	Substance Abuse
Desk	06/30/99	1,227	Substance Abuse
Passport Paging System	06/30/99	500	Substance Abuse
True Colors Training Kit	06/30/99	712	Substance Abuse
Desk	08/01/99	435	Substance Abuse
Computer Station	08/01/99	320	Substance Abuse
National Desk Station	09/27/99	1,115	Substance Abuse
Vinyl Chairs	04/17/00	344	Substance Abuse
Rectangular Table	06/23/00	360	Substance Abuse
Compac Laptop	09/08/00	1,160	Substance Abuse
Hewlett Packard Pavillion PC	11/01/00	998	Substance Abuse
Hewlett Packard PCs	12/06/00	3,192	Substance Abuse
Hewlett Packard PCs	01/09/01	1,396	Substance Abuse
Hewlett Packard PCs	01/09/01	798	Substance Abuse
PowerHouse Shredder	03/13/01	600	Substance Abuse
Pavillion Computer	07/16/01	898	Substance Abuse
Pavillion Computer	08/30/01	2,694	Substance Abuse
Hewlett Packard Computers	06/18/02	2,672	Substance Abuse
Compac Presario Computer	10/31/02	769	Substance Abuse
HP Computer	10/09/03	528	Substance Abuse
PC Tower & Hardware	10/16/03	887	Substance Abuse
Office Chairs/FUTURES	04/14/04	750	Substance Abuse
Dishwasher/FUTURES	04/22/04	3,815	Substance Abuse
Dorm Beds/FUTURES	05/20/04	1,378	Substance Abuse
Table & Benches/FUTURES	05/21/04	1,358	Substance Abuse
Powerpoint Projector	05/28/04	899	Substance Abuse
Chairs/FUTURES	06/02/04	996	Substance Abuse
Sofa/FUTURES	06/02/04	489	Substance Abuse
Dressers/FUTURES	06/02/04	1,620	Substance Abuse
Desk/FUTURES	06/02/04	1,261	Substance Abuse
Desk/FUTURES	06/02/04	1,218	Substance Abuse
Office Chairs/FUTURES	06/02/04	636	Substance Abuse
Tables/FUTURES	06/02/04	575	Substance Abuse
Chairs/FUTURES	06/02/04	2,752	Substance Abuse
Dell Laptop	06/03/04	1,913	Substance Abuse

(Continued)

LOGAN MINGO AREA MENTAL HEALTH, INC.
 SCHEDULE OF BHHF FUNDED FIXED ASSETS
 (Continued)

June 30, 2013

Description	Date Acquired	Cost	Program
Chairs/FUTURES	06/08/04	792	Substance Abuse
Compac Presario	06/21/04	740	Substance Abuse
Compac Presario	06/21/04	740	Substance Abuse
Compac Presario/FUTURES	06/21/04	740	Substance Abuse
Compac Presario/FUTURES	06/21/04	740	Substance Abuse
Cabinets/FUTURES	06/22/04	412	Substance Abuse
Mouthpiece Sensors	06/23/04	2,523	Substance Abuse
Mattresses for FUTURES	06/23/04	893	Substance Abuse
TV/VCR/Intercom/FUTURES	07/09/04	2,526	Substance Abuse
Exercise Equipment/FUTURES	07/27/04	705	Substance Abuse
ASI Program/FUTURES	08/23/04	550	Substance Abuse
Computer/FUTURES	08/25/04	498	Substance Abuse
LCD Monitor	02/09/05	400	Substance Abuse
Pool Table/FUTURES	02/09/05	475	Substance Abuse
Desktop Computer	03/07/05	343	Substance Abuse
Compressor	04/25/05	1,098	Substance Abuse
13' Floor Buffer/FUTURES	04/29/05	765	Substance Abuse
Desk Chairs/FUTURES	05/12/05	558	Substance Abuse
Cooling Tower	09/30/09	42,895	Substance Abuse
Sewage Treatment Plant	10/31/09	118,021	Substance Abuse
HVAC - Chattaroy	04/30/10	62,683	Substance Abuse
		\$ 281,402	

See Independent Auditor's Report.

LOGAN MINGO AREA MENTAL HEALTH, INC.
 SCHEDULE OF BHHF FUNDING STATUS

Year Ended June 30, 2013

State Account Number	Current Year Award		Award Extended From		Refundable Advances		Amount Earned and		Refundable Advances		Amount Collected	
	Amount	Prior Year	June 30, 2012	June 30, 2013	Billed	June 30, 2012	June 30, 2013	Amount Not Billed	June 30, 2012	June 30, 2013	Amount Not Billed	Amount Collected
0525-2013-3701-219-258	\$ 94,287	\$ -	\$ -	\$ -	\$ 61,834	\$ -	\$ -	\$ 32,453	\$ -	\$ -	\$ 32,453	\$ 51,577
0525-2013-3702-219-28	10,109	-	-	-	-	-	-	10,109	-	-	10,109	-
0525-2013-3702-219-258	12,926	-	-	-	8,290	-	-	4,636	-	-	4,636	5,938
0525-2012-3065-219-258	48,486	-	-	-	48,486	-	-	-	-	-	-	-
0525-2013-2851-219-258	132,285	-	-	-	132,285	-	-	-	-	-	-	121,261
0525-2013-2851-219-258	94,848	-	-	-	94,848	-	-	-	-	-	-	86,944
0525-2013-2851-219-258	71,181	-	-	-	71,181	-	-	-	-	-	-	65,249
0525-2013-2867-221-258	70,285	-	-	-	70,285	-	-	-	-	-	-	60,745
0525-2013-2891-219-258	375,000	-	-	-	375,000	-	-	-	-	-	-	363,146
0525-2013-2919-219-258	60,000	-	-	-	60,000	-	-	-	-	-	-	44,583
0525-2013-3041-219-258	161,411	-	-	-	161,411	-	-	4,461	-	-	4,461	147,960
0525-2013-3065-219-258	426,747	-	-	-	426,747	-	-	-	-	-	-	426,747
0525-2013-3701-219-258	150,000	-	-	-	150,000	-	-	-	-	-	-	140,274
8793-2013-2884-130-128	-	12,600	-	-	-	-	-	-	-	-	-	12,600
8793-2013-2891-130-128	-	6,250	-	-	-	-	-	-	-	-	-	6,250
8793-2013-2892-130-128	-	9,500	-	-	-	-	-	-	-	-	-	9,500
0525-2011-3065-219-258	426,747	-	-	-	426,747	-	-	-	-	-	-	396,027
0525-2013-2891-219-252	93,750	-	-	-	93,750	-	-	-	-	-	93,750	-
8793-2013-2892-130-128	28,500	-	-	-	28,500	-	-	-	-	-	-	28,500
8793-2014-2892-130-128	9,500	-	-	-	9,500	-	-	-	-	-	9,500	-
8793-2013-2884-130-128	37,795	-	-	-	37,793	-	-	-	-	-	2	37,793
8793-2014-2884-130-128	12,598	-	-	-	12,598	-	-	-	-	-	12,598	-
8793-2013-2891-130-128	18,750	-	-	-	18,750	-	-	-	-	-	-	8,951
8793-2014-2891-130-128	6,250	-	-	-	6,250	-	-	-	-	-	6,250	-
8723-2013-2851-130-128	111,219	-	-	-	55,210	-	-	-	-	-	-	55,210
	\$ 2,452,674	\$ 28,350	\$ -	\$ -	\$ 2,251,256	\$ -	\$ -	\$ 173,759	\$ -	\$ -	\$ 173,759	\$ 2,069,255

See Independent Auditor's Report.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Logan-Mingo Area Mental Health, Inc.
Logan, 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 Logan-Mingo Area Mental Health, Inc. (the Center), which comprise the statements of financial position, as of June 30, 2013 and 2012, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated April 22, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center'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 the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 Center's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2013-1, 2013-2, and 2013-3 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2013-4 and 2013-5 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Center's Response to Findings

The Center's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Center'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 Center'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 Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gibbons & Kawash, A.C.

Charleston, West Virginia
April 22, 2014

DHHR - Finance

MAY 15 2015

Date Received

LOGAN-MINGO AREA MENTAL HEALTH, INC.

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended June 30, 2013

Section II - Financial Statement Findings

2013-1 Review of Account ActivityCondition:

During the audit, several errors in account balances were identified that affected accounts receivable, revenues, and contractual allowances. Procedures and requirements for invoicing services under uncompensated care grants were modified in the prior year, which required changes to be programmed in the billing software. The software was not modified to address these changes and adjustments made by management were improperly recorded.

Criteria:

Timely reconciliations of accounts are an integral component of internal control and are crucial for the timely detection of accounting errors. Software updates should be evaluated to ensure that all necessary changes are made.

Effect:

The Center is susceptible to the risk that errors, whether intentional or unintentional, could be made and not detected in a timely manner, causing financial statements and information to be misleading, and resulting in decisions by management and those charged with governance to be made based on inaccurate or untimely information.

Cause:

The Center's policies and controls over financial reporting were not functioning as designed.

Recommendation:

Although management adjusted the account balances when the errors were identified, we recommend that the activity in these accounts be subjected to a detailed review each month. Any unusual or unexpected balances and differences should be investigated and resolved. In addition, a software update to correct this problem should be developed and implemented as soon as possible.

Management's Response:

Subsequent to year end, the Center purchased McKesson (Practice Choice) for their billing system and also Quickbooks. These systems will be more accurate for capturing all services billed, all services adjusted, and all payments received and sent through the Center.

LOGAN-MINGO AREA MENTAL HEALTH, INC.

SCHEDULE OF FINDINGS AND RESPONSES
(Continued)

Year Ended June 30, 2013

Section II - Financial Statement Findings (Continued)

2013-2 Analysis of Accounts ReceivableCondition:

We noted the Center does not have a formal policy for evaluating uncollectible accounts receivable. In addition, we noted an unreconciled difference between the Center's general ledger balance and the detail accounts receivable report.

Criteria:

Accounts receivable aging reports should be reconciled to general ledger control accounts to ensure reports are complete and accurate. Individual accounts should be evaluated for collectability to ensure the valuation of accounts receivable is accurate and bad debt expense is recognized in the proper period.

Effect:

Accounts receivable could be overstated and bad debt not recognized in the proper period.

Cause:

Lack of controls and review procedures over accounts receivable.

Recommendation:

We recommend the Center reconcile the detailed accounts receivable balance to the general ledger and a review of individual accounts receivable balances be performed by management during their monthly closing procedures. The allowance for doubtful accounts should be adjusted to recognize balances for which collection is doubtful.

Management's Response:

Subsequent to year end, the Center purchased McKesson (Practice Choice) for their billing system and also Quickbooks. These systems will be more accurate for capturing all services billed, all services adjusted, and all payments received and sent through the Center. McKesson will also serve as a clearinghouse that will electronically enhance billing and collections. This process will allow billing and collections to occur daily and provide daily reports and/or aged reports at will for review by Management.

LOGAN-MINGO AREA MENTAL HEALTH, INC.

SCHEDULE OF FINDINGS AND RESPONSES
(Continued)

Year Ended June 30, 2013

Section II - Financial Statement Findings (Continued)

2013-3 Accounts PayableCondition:

We noted that proper cutoff of accounts payable and contracted amounts payable under the waiver program was not achieved at year end.

Criteria:

Expenses and their related liabilities should be recorded in the period in which they are incurred.

Effect:

Accounts payable was not properly stated at year end and a liability for contracted waiver payable was not recorded in the proper period.

Cause:

Invoices are not posted to accounts payable until they are paid.

Recommendation:

We recommend invoices be entered into accounts payable upon receipt and that a review of invoices received by the accounts payable department after year end be performed prior to year end closing procedures to ensure accounts payable is correctly recorded at year end.

Management's Response:

Subsequent to year end, the Center purchased McKesson (Practice Choice) for their billing system and also Quickbooks. These systems will be more accurate for capturing all services billed, all services adjusted, and all payments received and sent through the Center. Previously, outside technical support staff was needed to input bills into the system and caused delay in bills being posted. With the new Quickbooks system bills can be input within the Organization on a daily basis.

LOGAN-MINGO AREA MENTAL HEALTH, INC.

SCHEDULE OF FINDINGS AND RESPONSES
(Continued)

Year Ended June 30, 2013

Section II - Financial Statement Findings (Continued)

2013-4 Bank ReconciliationsCondition:

Monthly bank reconciliations are completed by accounting personnel which account for transactions reported in the bank statement without consideration of general ledger cash account activity. However, the current procedures do not reconcile the balance shown by the bank statement with the actual cash balance reported in the general ledger. In addition, the reconciliations are not reviewed and approved by supervisory personnel. We understand the contract accountant reviews the monthly bank reconciliations to identify unrecorded transactions or errors; however, this is not completed on a timely basis.

Criteria:

Monthly bank reconciliation procedures should ensure all transactions are have been recorded accurately and timely in the general ledger.

Effect:

Year end bank reconciliation did not agree to the general ledger by approximately \$1,300 and expenses were misclassified by approximately \$11,000.

Cause:

Lack of proper review and oversight.

Recommendation:

We recommend bank reconciliations be completed to reconcile the bank statement balance directly to the cash balance reported in the general ledger. The reconciliations should be reviewed for accuracy and completeness in a timely manner.

Management's Response:

Subsequent to year end, the Center purchased McKesson (Practice Choice) for their billing system and also Quickbooks. These systems will be more accurate for capturing all services billed, all services adjusted, and all payments received and sent through the Center. The Organization will use Quickbooks to timely reconcile bank accounts.

LOGAN-MINGO AREA MENTAL HEALTH, INC.

SCHEDULE OF FINDINGS AND RESPONSES
(Continued)

Year Ended June 30, 2013

Section II - Financial Statement Findings (Continued)

2013-5 Review of Journal EntriesCondition:

Supervisory review and approval procedures for journal entries have not been designed or implemented to ensure that general journal entries posted to the general ledger are complete and accurate. An entry could be made or improperly recorded without the Center's knowledge.

Criteria:

A basic premise of internal control is that supervisory review and approval procedures should be designed and performed to detect material misstatements in the financial statements.

Effect:

The Center is susceptible to the risk that erroneous or fraudulent journal entries could be posted and not detected in a timely manner, causing financial statements and information to be misleading, and resulting in decisions by management and those charged with governance to be made based on inaccurate information.

Cause:

Due to employee turnover, review and approval of journal entries is not being performed.

Recommendation:

We recommend that the Center design and implement policies and procedures to provide for supervisory review and approval of all journal entries.

Management's Response:

Subsequent to year end, the Center purchased McKesson (Practice Choice) for their billing system and also Quickbooks. These systems will be more accurate for capturing all services billed, all services adjusted, and all payments received and sent through the Center. The Organization will directly input the majority of income and expense items limiting the amount of journal entries needed for operational activities. Journal entries for extraordinary and/or less frequent items will be monitored by an outside firm which will be performing monthly compilations for the preparation of financial statements.