

**COMMUNITY CARE
OF WEST VIRGINIA, INC.
(A NON-PROFIT ORGANIZATION)**

**FINANCIAL STATEMENTS WITH
ADDITIONAL INFORMATION**

YEAR ENDED JUNE 30, 2014

DHHR - Finance

MAR 18 2015

Date Received

**COMMUNITY CARE OF WEST VIRGINIA, INC.
FINANCIAL STATEMENTS WITH
ADDITIONAL INFORMATION
YEAR ENDED JUNE 30, 2014**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Community Care of West Virginia, Inc.
Rock Cave, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of Community Care of West Virginia, Inc. (a non-profit organization), which comprise the statement of financial position as of June 30, 2014, 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 *Governmental 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 Community Care of West Virginia, Inc. as of June 30, 2014, 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of state awards, as presented in the schedule of expenditures of federal and state awards and schedules of functional expenses 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 presented in the schedule of expenditures of federal and state awards, as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for the purposes of additional analysis and is also 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 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 December 15, 2014, on our consideration of Community Care of West Virginia, 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 Community Care of West Virginia, Inc.'s internal control over financial reporting and compliance.

Ware & Hall PLLC

Huntington, West Virginia
December 15, 2014

DHHR - Finance

MAR 18 2015

Date Received

COMMUNITY CARE OF WEST VIRGINIA, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014

ASSETS

CURRENT ASSETS

Cash	\$ 1,019,328
Accounts receivable, net of allowance for doubtful accounts of \$250,000	1,862,493
Grants receivable	175,153
Inventory	<u>510,910</u>
TOTAL CURRENT ASSETS	<u>3,567,884</u>

PROPERTY AND EQUIPMENT, NET	<u>4,511,729</u>
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OTHER ASSETS

Goodwill	250,000
Deposits	<u>16,550</u>
TOTAL OTHER ASSETS	<u>266,550</u>

TOTAL ASSETS	\$ <u>8,346,163</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 847,872
Accrued and withheld payroll taxes	405,816
Accrued payroll and compensated absences	564,458
Other accrued liabilities	127,987
Current portion of notes payable	<u>790,415</u>

TOTAL CURRENT LIABILITIES	<u>2,736,548</u>
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LONG-TERM LIABILITIES

Notes payable, less current maturities included above	<u>1,691,827</u>
TOTAL LONG-TERM LIABILITIES	<u>1,691,827</u>

TOTAL LIABILITIES	<u>4,428,375</u>
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NET ASSETS

Unrestricted:	
Operations	1,888,301
Property and equipment	<u>2,029,487</u>

TOTAL NET ASSETS	<u>3,917,788</u>
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TOTAL LIABILITIES AND NET ASSETS	\$ <u>8,346,163</u>
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COMMUNITY CARE OF WEST VIRGINIA, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

	Unrestricted		Total
	Operations	Fixed Assets	
SUPPORT AND REVENUE,			
Net patient service revenue	\$ 8,068,162	\$ -0-	\$ 8,068,162
Federal and state grants	4,206,021	475,721	4,681,742
Pharmacy revenue	4,277,262	-0-	4,277,262
Medicaid	229,500	-0-	229,500
Contributions	587,016	-0-	587,016
Interest	19,854	-0-	19,854
Other	<u>127,924</u>	<u>-0-</u>	<u>127,924</u>
TOTAL SUPPORT AND REVENUE	<u>17,515,739</u>	<u>475,721</u>	<u>17,991,460</u>
 EXPENSES			
Program services			
Medical Clinics	9,268,825	183,209	9,452,034
School based health centers	918,549	55,579	974,128
Pharmacies	3,722,763	6,109	3,728,872
Dental	578,418	73,625	652,043
NWVRHEC	<u>289,514</u>	<u>344</u>	<u>289,858</u>
TOTAL PROGRAM SERVICES	14,778,069	318,866	15,096,935
Supporting services			
Management and general	<u>2,870,682</u>	<u>63,262</u>	<u>2,933,944</u>
TOTAL EXPENSES	<u>17,648,751</u>	<u>382,128</u>	<u>18,030,879</u>
 Change in net assets	(133,012)	93,593	(39,419)
 NET ASSETS, BEGINNING OF YEAR AS RESTATED	2,033,494	1,923,713	3,957,207
 Transfer in (out)	<u>(12,181)</u>	<u>12,181</u>	<u>-0-</u>
 NET ASSETS, END OF YEAR	<u>\$ 1,888,301</u>	<u>\$ 2,029,487</u>	<u>\$ 3,917,788</u>

COMMUNITY CARE OF WEST VIRGINIA, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (39,419)
Adjustments to reconcile change in net assets to net cash provided by Operating activities:	
Depreciation	382,128
Bad debts	75,000
(Increase) decrease in operating assets:	
Accounts receivable	(387,494)
Grants receivable	(68,104)
Inventory	(55,179)
Deposits	(9,350)
Increase (decrease) in operating liabilities:	
Accounts payable	730,828
Accrued and withheld payroll taxes	17,562
Accrued payroll and compensated absences	126,270
Other accrued liabilities	<u>(9,025)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>763,217</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(624,043)
Purchase of goodwill	<u>(250,000)</u>
NET CASH (USED IN) INVESTING ACTIVITIES	<u>(874,043)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on notes payable	(224,048)
Proceeds on notes payable	<u>360,189</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>136,141</u>
INCREASE IN CASH	25,315
CASH AT BEGINNING OF YEAR, AS RESTATED	<u>994,013</u>
CASH AT END OF YEAR	\$ <u>1,019,328</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**COMMUNITY CARE OF WEST VIRGINIA, INC.
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2014**

**SUPPLEMENTAL DISCLOSURE
OF CASH FLOW INFORMATION:**

Cash paid during the year for:

Interest \$ 110,532

Income taxes \$ -0-

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCIAL ACTIVITIES:

The Organization purchased \$200,000 of equipment which was seller financed during the fiscal year ended June 30, 2014.

COMMUNITY CARE OF WEST VIRGINIA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF ORGANIZATION

Community Care of West Virginia, Inc. is a nonprofit corporation incorporated in the State of West Virginia. The Organization provides primary care services to the underserved areas of North Central and Eastern West Virginia. The majority of the Organization's funding comes from patient service revenue (commercial insurance, medicare, medicaid, and self pay), federal and state grants, and pharmaceutical sales.

BASIS OF ACCOUNTING

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

SUPPORT AND REVENUE

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of any donor restrictions. Contributions are generally available for unrestricted use unless specifically restricted by the donor. All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. Unconditional promises to give in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are recorded at the present value of their net realizable value using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts of long-lived assets received without stipulation about how long the asset must be used or other donor restriction are recorded as unrestricted support.

Grants received by the Organization which are restricted for specific purposes are reported as revenue when qualifying expenses have been incurred. Grant funds received in advance of incurring qualifying expenses are recorded as deferred revenue.

Patient service revenue, pharmaceutical sales and other revenue is recognized when the services have been provided.

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.

ACCOUNTS RECEIVABLE

Accounts receivable are carried at their estimated collectible amounts. Accounts receivable are periodically evaluated for collectibility and an allowance for doubtful accounts is established based on payment experience, age of the receivable, and other specifics of the account and the likelihood of collection. Once it is determined by management that the account will not be collectible, it is charged off against the allowance for doubtful accounts.

COMMUNITY CARE OF WEST VIRGINIA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVENTORY

Medical and pharmaceutical inventory is stated at the lower of cost, determined by the first-in, first-out method, or market. Donated pharmaceutical inventory is stated at fair market value at the date of gift.

PROPERTY AND EQUIPMENT

Property and equipment purchased is stated at cost. Property and equipment donated to the organization is stated at the estimated fair market value at the date of gift. Asset purchases greater than \$5,000 and those which substantially increase useful lives are capitalized. Maintenance, repairs and minor renewals are charged to operations when incurred. When property and equipment is sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

Property and equipment acquired by Community Care of West Virginia, Inc. is considered to be owned by Community Care of West Virginia, Inc. However, funding sources may maintain a reversionary interest in the property and equipment purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets.

The net fixed asset balance has been recorded as a separate component in unrestricted net assets.

DEPRECIATION

The cost of property and equipment is depreciated over the estimated useful lives of the related assets. Depreciation is computed on the straight line method. The useful lives of property and equipment for purposes of computing depreciation are:

Buildings and improvements	3 to 40 years
Medical equipment	3 to 10 years
Office equipment and fixtures	3 to 10 years

PATIENT SERVICE REVENUE

Patient service revenue represents the estimated net realizable amounts from patients, third-party payors, and others for services rendered.

CHARITY CARE

Community Care of West Virginia, Inc. has a policy of providing charity care to patients who are unable to pay. Such patients are identified based on financial information obtained from the patient and subsequent analysis. Since the organization does not expect payment, estimated charges for charity care are not included in revenue.

DONATED SUPPLIES AND MATERIALS

The organization receives donations in the form of pharmaceuticals and supplies on a regular basis. These donations are recorded in the financial statements at their estimated fair market value.

COMMUNITY CARE OF WEST VIRGINIA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAXES

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Management believes the Organization is no longer subject to income tax examinations for years prior to 2011.

CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an original maturity of three months or less to be cash equivalents.

ADVERTISING COSTS

Advertising costs totaling \$74,232 in 2014 were charged to operations when incurred.

FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2014:

Land	\$ 352,025
Buildings and improvements	5,126,713
Medical equipment	652,829
Office equipment, furniture, and fixtures	<u>1,208,740</u>
	7,340,307
Less: accumulated depreciation	<u>(2,828,578)</u>
Property and equipment, net	\$ <u>4,511,729</u>

Depreciation expense for the year ended June 30, 2014 totaled \$382,128.

NOTE 3 - GOODWILL

The Organization entered into an asset purchase agreement on November 14, 2013 whereby they purchased certain assets, including Goodwill, of an Urgent Care Facility located in Clarksburg, West Virginia. The location of the facility and its surrounding patient base added value to the purchase price which resulted in Goodwill. The total purchase price amounted to \$400,000. The Organization obtained a bank loan for \$200,000 and seller financed the remaining \$200,000 in order to consummate the purchase (see Note 4 - Notes Payable).

COMMUNITY CARE OF WEST VIRGINIA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3 - GOODWILL (CONTINUED)

The following identifiable assets were acquired which were recorded at fair value at the acquisition date:

Furniture, fixtures and equipment	\$ 20,670
Supplies	15,000
Medical equipment	<u>114,330</u>
Total	\$ <u>150,000</u>

The remaining \$250,000 (excess of the fair value of the consideration transferred in over the fair value of the above identifiable assets) of the purchase price was recorded as Goodwill.

Management has assessed qualitative factors surrounding this reporting unit at June 30, 2014 and has determined that no conditions exist which would indicate the Goodwill is impaired. Therefore, no impairment has been recognized in the accompanying financial statements.

The Organization subsequently leased the facilities and began operations in March, 2014.

NOTE 4 - NOTES PAYABLE

Following is a summary of notes payable as of June 30, 2014:

Line of credit payable to United Bank, maximum amount \$400,000, interest payable monthly at a variable rate known as the Wall Street Journal U.S. Prime Rate (4.0% at June 30, 2014). All outstanding principal and unpaid interest is due December 18, 2014, secured by Deed of Trust and accounts receivable. \$ 315,000

Note payable to Citizen's Bank of Weston, original face \$200,000, interest payable monthly at a variable rate known as the Wall Street Journal U.S. Prime Rate plus 1.0% (4.25% at June 30, 2014), due September 21, 2014 (see Note 12 - Subsequent Events), secured by all medical equipment, office equipment, and furniture. 199,974

Note payable to FMHA, original face \$710,000, payable in 300 monthly installments of \$3,948 inclusive of interest at 4.5%, due June 17, 2023, secured by Deed of Trust, improvements, and equipment. 349,488

Note payable to United Bank, original face \$1,140,000, payable in 120 monthly installments of \$12,815 inclusive of interest at a variable rate known as the United Bank Base Commercial Lending Rate (6.19% at June 30, 2014), with one final installment of all remaining unpaid principal and interest on August 5, 2019, secured by Deed of Trust. 686,178

Note payable to Premier Bank, original face \$109,000, payable in 180 monthly installments of \$1,026 inclusive of interest at a variable rate known as the Wall Street Journal U.S. Prime Rate (6.0% at June 30, 2014), due September 25, 2022, secured by Deed of Trust. 73,128

COMMUNITY CARE OF WEST VIRGINIA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 4 - NOTES PAYABLE (CONTINUED)

Note payable to Premier Bank, original face \$391,000, payable in 180 monthly installments of \$3,174 inclusive of interest at a variable rate known as the Wall Street Journal U.S. Prime Rate multiplied by 66% (2.15% at June 30, 2014), due September 25, 2022, secured by Deed of Trusts.	\$ 246,488
Note payable to United Bank, original face of \$220,000, payable in 180 monthly installments of \$1,633 inclusive of interest at a variable rate known as the Wall Street Journal U.S. Prime Rate (4.0% at June 30, 2014), due February 27, 2028, secured by Deed of Trust.	205,306
Note payable to United Bank, original face of \$240,000, payable in 120 monthly installments of \$2,437 inclusive of interest at a variable rate known as the Wall Street Journal U.S. Prime Rate (4.0% at June 30, 2014), due April 3, 2023, secured by Deed of Trust.	206,680
Note payable to Premier Medical Group, Inc., original face of \$200,000, payable in 4 annual installments of \$50,000 plus interest at .5%, due January 1, 2018, unsecured.	<u>200,000</u>
Total	2,482,242
Less: Current Maturities	<u>(790,415)</u>
Long-term Portion	\$ <u><u>1,691,827</u></u>

Following are maturities of notes payable for each of the next five years and in aggregate:

<u>Years Ending June 30,</u>	
2015	\$ 790,415
2016	282,907
2017	294,926
2018	307,620
2019	271,025
Thereafter	<u>535,349</u>
Total	\$ <u><u>2,482,242</u></u>

Interest expense on notes payable for the year ended June 30, 2014 totaled \$110,532.

At June 30, 2014, the Organization had \$85,000 remaining on the Line of Credit with United Bank as disclosed above.

COMMUNITY CARE OF WEST VIRGINIA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 5 - NET PATIENT SERVICE REVENUE

Community Care of West Virginia, Inc. is a participant under the Health Insurance for the Aged and Disabled Program (Title XVIII of the Social Security Act) - Medicare. Under this contract, the Organization agrees to provide patient care services to the elderly for a fixed per diem amount, regardless of the actual cost incurred to provide the service. During the year ended June 30, 2014, revenue under this program amounted to \$1,756,500.

Community Care of West Virginia, Inc. is a participant under the Medical Assistance Program (Title XIX of the Social Security Act) - Medicaid. Under this contract, the Organization agrees to provide patient care services to those individuals considered to be categorically and medically needy as specified in the State's approved plan for a fixed per diem amount, regardless of actual costs incurred to provide the service. During the year ended June 30, 2014, revenue under this program amounted to \$3,533,648.

Community Care of West Virginia, Inc. is also reimbursed by various commercial insurance carriers. The basis for payment under these agreements include prospectively determined rates. During the year ended June 30, 2014, revenue under these contracts amounted to \$5,756,206.

NOTE 6 - OPERATING LEASES

The Organization leases health clinics and pharmacy facilities at various locations under operating leases expiring in various years through 2027. Total rent expense charged to operations resulting from these lease agreements for the year ended June 30, 2014 amounted to \$387,551.

Certain operating leases provide for renewal options for periods of one to twenty years at their fair rental value at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases.

Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year as of June 30, 2014 for each of the next five years and in the aggregate are:

<u>Years Ending June 30,</u>	<u>Amount</u>
2015	\$ 278,318
2016	257,796
2017	257,796
2018	257,796
2019	242,196
Thereafter	<u>132,918</u>
Total minimum future rental payments	<u>\$ 1,426,820</u>

The Organization also leases copiers and computer equipment under various operating leases. Total rent expense charged to operations resulting from these lease agreements for the year ended June 30, 2014 amounted to \$39,663.

COMMUNITY CARE OF WEST VIRGINIA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 7 - RETIREMENT PLANS

Community Care of West Virginia, Inc. has a defined contribution 401(k) pension plan that covers all employees with over one year of service. The Organization matches 100% of the participant's contribution up to 3% of their gross wages and 50% of the participant's contribution between 3% and 5% of their gross wages. Retirement expense for the fiscal year ended June 30, 2014 under this plan amounted to \$146,172.

NOTE 8 - CONCENTRATION OF CREDIT RISK

Community Care of West Virginia, Inc. is a non-profit organization that provides primary care services to the underserved areas of North Central and Eastern West Virginia. The Organization provides these services which are reimbursed by various third parties as well as the recipients of such services without requiring collateral. Accounts receivable are recorded net of an allowance for bad debts of \$250,000 at June 30, 2014.

Community Care of West Virginia, Inc.'s contracts with U.S. Department of Health and Human Services account for a majority of the grant revenues of the Organization for the year ended June 30, 2014. A significant reduction in the revenues granted under future contracts could have a significant impact on Community Care of West Virginia, Inc.'s program services.

The Organization maintains cash balances at various banking institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Organization had bank balances in excess of the FDIC coverage of \$377,566 at these banking institutions at June 30, 2014.

NOTE 9 - CORRECTION OF AN ERROR

Net assets at the beginning of the fiscal year ended June 30, 2014 has been adjusted to correct for the following errors made in the fiscal year ended June 30, 2013 and prior years:

Net assets at June 30, 2013, as previously reported		\$ <u>3,986,951</u>
Prior period adjustments:		
Error in the overstatement of cash		(103,873)
Error in the understatement of accounts receivable		35,529
Error in the overstatement of accounts payable		13,600
Error in the overstatement of accrued liabilities		<u>25,000</u>
Total Errors		<u>(29,744)</u>
Net assets at June 30, 2013, as restated		\$ <u><u>3,957,207</u></u>

Had the errors not been made, net assets at June 30, 2013 would have been decreased by \$29,744. The change in net assets (net income) for the fiscal year ended June 30, 2013 would have been decreased by \$11,593.

COMMUNITY CARE OF WEST VIRGINIA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 10 - DONATED PHARMACEUTICALS AND SUPPLIES

In the ordinary course of business, the Organization receives donated pharmaceuticals and supplies from pharmaceutical drug representatives. As of June 30, 2014, the Organization has \$101,822 of donated pharmaceuticals and supplies in inventory. The Organization recognized revenue and expenses totaling \$586,416 and \$605,450, respectively during the fiscal year ended June 30, 2014 as donated pharmaceuticals and supplies.

NOTE 11 - CONTINGENCIES

The Organization has been notified by the State of West Virginia, Department of Health and Human Resources, Bureau for Medical Services that the medicaid reimbursement methodology to federally qualified health centers has been revised with a retroactive effective date of October 1, 2012. The new methodology will reimburse federally qualified health centers using a prospective payment system encounter rate with the exception of radiology, pharmacy, and laboratory. The Bureau is in the process of calculating the additional reimbursement due to the Organization. Preliminary estimates indicate that the Organization is owed approximately \$2.4 million. The Bureau has indicated that it will make bi-weekly payments beginning in December, 2014 through March, 2015 by applying the new rates to historical paid claims. Due to the uncertainty of the actual amount to be received, no amounts have been reflected in the June 30, 2014 financial statements.

NOTE 12 - SUBSEQUENT EVENTS

Management has reviewed events occurring subsequent to June 30, 2014 through December 15, 2014 (the date the financial statements were available to be issued) for possible adjustments to, or disclosure in, the accompanying financial statements as required by the Subsequent Events Topic of the FASB Accounting Standards Codification. The following events occurred after June 30, 2014:

On September 5, 2014, the Organization opened a \$1.0 million Line of Credit with a local bank. Amounts advanced under this Line of Credit, plus any accrued unpaid interest is payable on March 5, 2015. This Line of Credit carries a variable interest rate known as the Wall Street Journal U.S. Prime Rate. The Organization drew down \$838,615 on this line of credit in September, 2014.

On September 17, 2014, the maturity date of the note payable to Citizens Bank of Weston, with an original face of \$200,000 and a due date of September 21, 2014, was extended to December 21, 2014.

ADDITIONAL INFORMATION

COMMUNITY CARE OF WEST VIRGINIA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through Entity ID Number	Program Period
FEDERAL AWARDS			
Department of Health and Human Services			
Health Care Cluster:			
Consolidated Health Centers	93.224	3H80CS00080-12	12/01/12 - 11/30/13
ACA-Grants for New and Expanded Services Under the Health Center Program	93.527	3H80CS00080-12	12/01/12 - 11/30/13
Consolidated Health Centers	93.224	3H80CS00080-13	12/01/13 - 11/30/14
ACA-Grants for New and Expanded Services Under the Health Center Program	93.527	3H80CS00080-13	12/01/13 - 11/30/14
Health Care Cluster Subtotal			
ACA-Grants for Capital Development in Health Centers	93.526	6C8BCS23855-01	05/01/12 - 04/30/14
ACA-Grants for School - Based Health Center Capital Expenditures	93.501	1C12CS25566-01	12/01/12 - 11/30/14
Pass-through West Virginia University			
Research Corporation:			
Area Health Education Centers Point of Service Maintenance and Enhancement Awards	93.107	09-443-TCHC/ NWVRHEC	09/01/13 - 08/31/14
PPHF Geriatric Education Centers	93.969	00-251-TCHC	07/01/13 - 06/30/14
PPHF Community Transformation Grants	93.737	13-087-CCWVM	09/30/12 - 09/29/14
Pass-through West Virginia Office of the Insurance Commissioner:			
State Planning and Establishment Grants for ACA's Exchanges	93.525	N/A	10/15/13 - 10/14/14
Pass-through West Virginia Department of Health and Human Resources:			
Grants to States to Promote Oral Health Workforce Activities	93.236	G140420	07/01/13 - 08/31/13
Pass-through West Virginia Primary Care Association, Inc.:			
National Bioterrorism Hospital Preparedness Program	93.889	N/A	01/10/14 - 06/15/14
Total Department of Health and Human Services			
Total Federal Awards			

Program or Award <u>Amount</u>	<u>Expenditures</u>	
\$ 776,795	\$ 232,203	1)
1,487,991	444,797	2)
725,545	621,571	1)
1,785,264	<u>1,529,429</u>	2)
	2,828,000	
383,000	383,000	
500,000	92,721	
92,000	64,766	
10,000	10,000	
246,487	85,963	
586,612	125,010	
50,000	50,000	
12,000	<u>12,000</u>	
	<u>3,651,460</u>	
	<u>3,651,460</u>	

COMMUNITY CARE OF WEST VIRGINIA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass-Through <u>Grantor/Program Title</u>	Federal CFDA <u>Number</u>	Pass-through Entity ID <u>Number</u>	<u>Program Period</u>
STATE AWARDS			
Pass-through West Virginia Department of Health and Human Resources:			
Uncompensated Care - Primary Care	N/A	G140109	07/01/13 - 06/30/14
Uncompensated Care - Primary Care	N/A	G140110	07/01/13 - 06/30/14
Mortgage Finance	N/A	G140331	07/01/13 - 06/30/14
Mortgage Finance	N/A	G140332	07/01/13 - 06/30/14
State Health Access Program	N/A	G130466	09/01/12 - 08/31/13
Student Loan Repayments	N/A	G140437	09/01/13 - 06/30/14
Total of West Virginia Department of Health and Human Resources			
Pass-through West Virginia University Board of Governors:			
Northern West Virginia Rural Health Education Center - RHOP	N/A	N/A	07/01/13 - 06/30/14
Northern West Virginia Rural Health Education Center - Rural Experience	N/A	N/A	07/01/13 - 06/30/14
Total West Virginia University Board of Governors			
Total State Awards			
Total Federal and State Awards			

Combined Expenditures

- 1) CFDA No. 93.224 \$ 853,774
- 2) CFDA No. 93.527 \$ 1,974,226

Program or Award <u>Amount</u>	<u>Expenditures</u>
\$ 141,004	\$ 141,004
409,959	409,959
22,800	22,800
14,250	14,250
378,000	315,000
30,000	<u>30,000</u>
	<u>933,013</u>
22,000	22,000
75,269	<u>75,269</u>
	<u>97,269</u>
	<u>1,030,282</u>
	\$ <u><u>4,681,742</u></u>

COMMUNITY CARE OF WEST VIRGINIA, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2014

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of Federal and State awards includes the Federal and State grant activity of Community Care of West Virginia, 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 in this schedule may differ from amounts presented in, or used in, the preparation of the financial statements.

COMMUNITY CARE OF WEST VIRGINIA, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2014

	Program Services				
	<u>Medical Clinics</u>	<u>School Based Health Centers</u>	<u>Pharmacies</u>	<u>Dental</u>	<u>NWVRHEC</u>
Salaries, benefits, and taxes	\$ 7,165,629	\$ 613,961	\$ 850,622	\$ 433,873	\$ 189,014
Consulting and professional services	110,092	7,592	44,323	8,785	38,755
Professional dues, CME, and other education	86,071	2,940	1,900	3,035	3,997
Travel, meals, and hospitality	43,857	295	12,400	155	20,696
Rent and leases	352,758	-0-	52,978	18,000	8,078
Communication and utilities	330,986	40,023	31,305	7,782	5,375
Repairs and maintenance	109,343	102	4,687	5,327	2,281
Insurance	43,686	10,447	14,846	1,490	-0-
Supplies	804,004	235,321	2,265,275	96,832	17,005
Advertising	8,426	7,868	707	1,594	-0-
Interest, bank fees, and penalties	11,063	-0-	7,235	32	2
Pharmaceuticals and supplies, in-kind	172,785	-0-	432,665	-0-	-0-
Other	<u>30,125</u>	<u>-0-</u>	<u>3,820</u>	<u>1,513</u>	<u>4,311</u>
TOTAL EXPENSES BEFORE DEPRECIATION	9,268,825	918,549	3,722,763	578,418	289,514
Depreciation	<u>183,209</u>	<u>55,579</u>	<u>6,109</u>	<u>73,625</u>	<u>344</u>
TOTAL EXPENSES	\$ <u>9,452,034</u>	\$ <u>974,128</u>	\$ <u>3,728,872</u>	\$ <u>652,043</u>	\$ <u>289,858</u>

	<u>Supporting Services</u>	
<u>Total Program Services</u>	<u>Management and General</u>	<u>Total</u>
\$ 9,253,099	\$ 1,700,842	\$ 10,953,941
209,547	635,945	845,492
97,943	14,937	112,880
77,403	53,655	131,058
431,814	4,278	436,092
415,471	14,811	430,282
121,740	503	122,243
70,469	28,133	98,602
3,418,437	91,712	3,510,149
18,595	55,637	74,232
18,332	170,916	189,248
605,450	-0-	605,450
<u>39,769</u>	<u>99,313</u>	<u>139,082</u>
14,778,069	2,870,682	17,648,751
<u>318,866</u>	<u>63,262</u>	<u>382,128</u>
\$ <u>15,096,935</u>	\$ <u>2,933,944</u>	\$ <u>18,030,879</u>

**INDEPENDENT AUDITOR'S REPORTS ON COMPLIANCE
AND ON INTERNAL CONTROL**

Ware & Hall, PLLC

Certified Public Accountants

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WV Society of Certified Public Accountants

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*

Board of Directors
Community Care of West Virginia, Inc.
Rock Cave, 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 Community Care of West Virginia, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, 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 December 15, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Community Care of West Virginia, 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 Community Care of West Virginia, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Community Care of West Virginia, Inc.'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 questioned costs, 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 entity'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 questioned costs as items 2014-1 through 2014-4 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 questioned costs as items 2014-5 through 2014-6 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Community Care of West Virginia, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Community Care of West Virginia, Inc.'s Response to Findings

Community Care of West Virginia, Inc.'s response to the findings identified in our audit is described in the accompanying corrective action plan. Community Care of West Virginia, 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 communication is not suitable for any other purpose.

Wane & Hall PLLC

Huntington, West Virginia
December 15, 2014

DHHR - Finance

MAR 18 2015

Date Received

Ware & Hall, PLLC

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Directors
Community Care of West Virginia, Inc.
Rock Cave, West Virginia

Report on Compliance for Each Major Federal Program

We have audited Community Care of West Virginia, 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 Community Care of West Virginia, Inc.'s major federal programs for the year ended June 30, 2014. Community Care of West Virginia, 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 Community Care of West Virginia, 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 type 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 Community Care of West Virginia, Inc.'s compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

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 Community Care of West Virginia, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Community Care of West Virginia, Inc. 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 June 30, 2014.

Report on Internal Control Over Compliance

Management of Community Care of West Virginia, 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 Community Care of West Virginia, 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Community Care of West Virginia, 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. 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.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Ware & Hall PLLC

Huntington, West Virginia
December 15, 2014

DHHR - Finance

MAR 18 2015

Date Received

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**COMMUNITY CARE OF WEST VIRGINIA, INC.
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2014**

There were no prior year audit findings related to federal awards.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

COMMUNITY CARE OF WEST VIRGINIA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of Auditor's Report Issued - Unqualified

Internal Control Over Financial Reporting:

• Material weakness(es) identified?	<u>✓</u> Yes	<u>—</u> No
• Significant deficiency (ies) identified that are not considered to be material weaknesses?	<u>✓</u> Yes	<u>—</u> None Reported
Noncompliance material to the financial statements?	<u>—</u> Yes	<u>✓</u> No

FEDERAL AWARDS

Internal Control Over Major Programs:

• Material weakness(es) identified?	<u>—</u> Yes	<u>✓</u> No
• Significant deficiency (ies) identified that are not considered to be material weaknesses?	<u>—</u> Yes	<u>✓</u> None Reported

Type of Auditor's 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 OMB Circular A-133?	<u>—</u> Yes	<u>✓</u> No
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Identification of Major Programs:

Department of Health and Human Services	<u>CFDA #</u>
Health Care Cluster:	
Consolidated Health Centers	93.224
ACA - Grants for New and Expanded Services Under the Health Center Program	93.527
ACA - Grants for Capital Development in Health Care Centers	93.526

Dollar threshold used to distinguish between Type A and Type B programs:	\$ <u>300,000</u>
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Auditee qualified as low-risk auditee:	<u>—</u> Yes	<u>✓</u> No
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COMMUNITY CARE OF WEST VIRGINIA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

SECTION II - FINANCIAL STATEMENT FINDINGS

2014 - 1 Reconciliation of Accounting Records to Supporting Information

Condition: Audit adjusting entries were required to be made to the Organization's accounting records to reflect accurate balances in the Organization's assets, liabilities, net assets, revenues, and expenses. Various general ledger account balances were not properly reconciled to the supporting documentation such as receivables, deposits, property and equipment and the related depreciation expense, accrued expenses, revenues and expenses. In addition, the 2013 financial statements required restatement to correct for errors made in 2013 and prior years.

Criteria: One of the objectives of an internal control system is to provide management with reasonable assurance that transactions are recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America. In addition, timely accurate and complete financial reporting is an essential management tool in monitoring and controlling operations.

Cause: Effective review procedures have not been implemented whereby the general ledger account balances are compared to the related source documents and subsidiary ledgers to ensure the balances are reflected accurately.

Effect: This resulted in an inaccurate and incomplete presentation of the financial position, results of operations, and cash flows of the organization. Management therefore, was unable to produce financial statements presented in accordance with generally accepted accounting principles. The necessary adjusting journal entries were made during the audit to correct the errors.

Recommendation: Review procedures should be strengthened inclusive of reconciliations of the general ledger accounts with supporting documentation to ensure that transactions are recorded completely, timely, and accurately in order to prepare financial statements in accordance with generally accepted accounting principles.

2014 - 2 Bank Reconciliations

Condition: The Organization's June 30, 2014 bank reconciliations contained \$147,938 in erroneous deposits in transit which were dated in fiscal years ended June 30, 2011 (\$89,336) and 2013 (\$58,602). It was also noted that \$44,065 of outstanding checks listed on the June 30, 2014 bank reconciliations were actually duplicate checks, the originals of which had cleared the bank. These checks were dated in fiscal years ended June 30, 2012 and 2013.

Criteria: Bank reconciliations are performed to ensure that the bank processes the Organization's bank transactions correctly and that the bank balances reported in the Organization's financial statements properly reflect all such transactions. Reconciling items represent timing differences which reverse in a reasonable amount of time (the following month for deposits in transit and, generally, thirty to sixty days for outstanding checks). Reconciling items outstanding for more than a reasonable amount of time should be investigated and followed up on.

COMMUNITY CARE OF WEST VIRGINIA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

2014 - 2 Bank Reconciliations (continued)

Cause: Effective procedures have not been implemented to ensure that reconciling items are reviewed for reasonableness and older reconciling items are investigated and followed up on.

Effect: The Organization's cash balances were overstated by \$103,873 (net). The necessary adjusting journal entries were made during the audit to correct the prior period error.

Recommendation: Review procedures over bank reconciliations should be strengthened to ensure reconciling items are proper and supported by adequate documentation. Reconciling items remaining for an unreasonable amount of time should be investigated and followed up on.

2014 - 3 Accounts Payable Cut-off

Condition: We noted errors in the June 30, 2014 accounts payable cut-off. Year end accounts payable erroneously included \$132,927 of expenses that related to the fiscal year ended June 30, 2015. We also discovered \$182,940 of unrecorded accounts payable at June 30, 2014.

Criteria: Generally accepted accounting principles require the recognition of expenses in the period in which they relate in accordance with the accrual basis of accounting.

Cause: Effective review procedures have not been implemented to ensure proper cut-off for recording the Organization's accounts payable.

Effect: Accounts payable were understated by \$50,013 in the Organization's June 30, 2014 financial statements. The necessary adjusting journal entries were made during the audit to correct the errors.

Recommendation: Review procedures should be strengthened over recording of accounts payable to ensure proper cut-off.

2014 - 4 Recording of Non-Routine Transactions

Condition: In November, 2013, the Organization entered into an asset purchase agreement whereby they purchased certain assets, including Goodwill, of an Urgent Care Facility. The total purchase price was \$400,000. The Organization obtained a bank loan for \$200,000 which was recorded in the Organization's accounting records. The remainder of the purchase price (\$200,000) was seller financed. We noted during our audit that the seller financed portion of the transaction was not recorded in the Organization's accounting records.

Criteria: Since the purchase was consummated, generally accepted accounting principles require the recording of the completed transaction in the Organization's accounting records.

**COMMUNITY CARE OF WEST VIRGINIA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014**

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

2014 - 4 Recording of Non-Routine Transactions (continued)

Cause: Effective review procedures have not been implemented to ensure the proper recording of non-routine transactions.

Effect: The Organization's property and equipment, Goodwill, supplies expense, and related notes payable were understated by \$135,000, \$50,000, \$15,000 and \$200,000, respectively as a result of the failure to record this portion of the purchase transaction. The necessary adjusting journal entries were made during the audit to correct the error.

Recommendation: Review procedures over recording non-routine transactions should be strengthened to ensure such transactions are recorded completely, timely, and accurately.

2014 - 5 Leases

Condition: The Organization leases numerous copiers and certain computer equipment for use in their operations. Signed lease agreements could not be located for a number of the leases.

Criteria: FASB Accounting Standards Codification 840 - Leases requires a lessee to analyze the terms of the lease to ascertain whether the lease qualifies for capital lease treatment or operating lease treatment. If the lease qualifies for capital lease treatment, the lease shall be capitalized at the lesser of the present value of the future minimum lease payments at the inception of the lease or fair value of the leased property. If the lease qualifies for operating lease treatment, rental payments are to be expensed as incurred.

Cause: Effective procedures have not been implemented to ensure that signed lease agreement are reviewed for proper accounting treatment and retained for proper documentation of the analysis.

Effect: Management was unable to perform the required analysis to determine if the leases qualify for capital lease treatment and, therefore, treats all of its equipment leases as operating leases.

Recommendation: Obtain copies of all equipment lease agreements and analyze them for proper treatment as capital or operating leases. Record the necessary correcting entries, if any, for all leases meeting the qualifications of a capital lease and retain the documentation necessary to support the resulting accounting treatment.

2014 - 6 Segregation of Duties

Condition: Two members of the accounting department, the Chief Financial Officer and the Accounting Manager, are also authorized check signers on some of the Organization's bank accounts.

Criteria: Proper internal controls require the segregation of duties between initiating and recording a transaction and maintaining custody of the related assets and accounting records.

**COMMUNITY CARE OF WEST VIRGINIA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014**

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

2014 - 6 Segregation of Duties (continued)

Effect: The lack of segregation of duties increases the opportunity for a fraudulent financial transaction to occur. These individuals could cause a check to be written for personal gain, sign and execute the checks, and record the resulting transaction. These individuals also have bank reconciliation responsibilities.

Recommendation: We recommend that the aforementioned members of the accounting staff be removed as authorized check signers to strengthen segregation of duties.

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None

CORRECTIVE ACTION PLAN

Responses To Audit Findings

2014-1 Reconciliation of Accounting Records to Supporting Information

We are currently developing procedures to ensure that reconciliations are performed on all accounts on a monthly basis and that those balances agree to the general ledger. Individuals with the organization will work on the reconciliations and we have contracted with an outside accounting firm to assist with balancing those items to the general ledger on a monthly basis.

2014-2 Bank Reconciliations

Bank reconciliations will be performed on a monthly basis and will be reconciled to the general ledger on an ongoing basis. Additionally, policies will be implemented to review old outstanding items and when appropriate, research will be performed on the outstanding item and the proper adjustments will be made based upon the research performed.

2014-3 Accounts Payable Cutoff

At the end of each month, new cut-off procedures will be implemented to insure that all accounts payable are properly recorded. Our accounting system will be held open for 10 days each month and all invoices received will be reviewed and recorded in their appropriate period. Additionally, the accounts payable will be held open for 30 days at year end to ensure that all items have been recorded.

2014-4 Recording of Non-Routine Transactions

In order to maximize our resources, if there is a non-routine transaction that needs to be recorded, we will review the transaction with our outside accounting firm to ensure that it is properly recorded at the time of the transaction.

2014-5 Leases

For leases that are entered into during the year, we will review each of those with our outside accounting firm to ensure that they are properly recorded as either an operating or a capital lease at the time of the transaction.

2014-6 Segregation of Duties

We will remove those individuals as check signers since they also are a part of the processing of cash disbursements for invoices, etc. We will have all checks signed by an individual who does not have any responsibilities for the processing of cash disbursements or bank reconciliations.