

**Tug River Health Association, Inc.**

**Financial Statements  
and Supplementary Information**

**January 31, 2015**

DHHR - Finance

OCT 29 2015

Date Received

# Tug River Health Association, Inc.

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# Herman & Cormany

## Certified Public Accountants, A.C.

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Accountants & Consultants

### Independent Auditors' Report

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

#### Report on the Financial Statements

We have audited the accompanying financial statements of Tug River Health Association, Inc. (a nonprofit organization), which comprise the statement of financial position as of January 31, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

#### Management's Responsibility for the Financial Statements

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

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tug River Health Association, Inc. as of January 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Report on Summarized Comparative Information

We have previously audited Tug River Health Association, Inc.'s 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 26, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended January 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.


### Other Matters

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of WVDHHR funds received, the schedule of expenditures by location, and the schedule of expenses by service type are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is 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 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 September 23, 2015, on our consideration of Tug River Health Association, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Tug River Health Association, Inc.'s internal control over financial reporting and compliance.



Charleston, WV  
September 23, 2015

DHHR - Finance

OCT 29 2015

Date Received

**Tug River Health Association, Inc.**  
**Statement of Financial Position**  
**January 31, 2015, with Comparative Totals**  
**as of January 31, 2014**

|  | <u>2015</u>        | <u>2014</u>        |
|--|--------------------|--------------------|
| <b>Assets</b>  |                    |                    |
| Cash on hand and in bank   | \$1,700,736        | \$1,080,062        |
| Grants receivable  | 156,928            | 99,851             |
| Due from patients, net of allowance for uncollectible<br>accounts of \$445,150 in 2015 and \$558,320 in 2014               | 354,317            | 331,768            |
| Accounts receivable<br>Former employee, net of allowance for uncollectibility<br>of \$204,643 in 2015 and \$25,000 in 2014 | 130,000            | 310,207            |
| Inventories  | 24,012             | 24,012             |
| Prepays and deposits   | 28,728             | 19,259             |
| Property and equipment   | <u>541,891</u>     | <u>729,331</u>     |
| <b>Total Assets</b>  | <u>\$2,936,612</u> | <u>\$2,594,490</u> |
| <br>   |                    |                    |
| <b>Liabilities and Net Assets</b>  |                    |                    |
| Accounts payable   | \$ 103,090         | \$ 64,775          |
| Accrued taxes and withholding  | 10,159             | 20,203             |
| Accrued salaries and annual leave  | <u>93,207</u>      | <u>90,842</u>      |
| <b>Total Liabilities</b>   | <u>206,456</u>     | <u>175,820</u>     |
| <br>   |                    |                    |
| <b>Net Assets</b>  |                    |                    |
| Unrestricted   | <u>2,730,156</u>   | <u>2,418,670</u>   |
| <b>Total Net Assets</b>  | <u>2,730,156</u>   | <u>2,418,670</u>   |
| <br>   |                    |                    |
| <b>Total Liabilities and Net Assets</b>  | <u>\$2,936,612</u> | <u>\$2,594,490</u> |

See accompanying notes to financial statements.

**Tug River Health Association, Inc.**

**Statement of Activities**

**For the Year Ended January 31, 2015, with Comparative Totals  
For the Year Ended January 31, 2014**

|  | 2015               |                           |                    | 2014<br>Total      |
|--|--------------------|---------------------------|--------------------|--------------------|
|  | Unrestricted       | Temporarily<br>Restricted | Total              |                    |
| <b>Revenues, Gains and Other Support</b>             |                    |                           |                    |                    |
| Patient revenues                                     | \$2,252,130        | \$ -0-                    | \$2,252,130        | \$1,932,455        |
| Medicaid recoupment                                  | 179,267            | -0-                       | 179,267            | -0-                |
| Grants   |                    |                           |                    |                    |
| West Virginia Dept. of Health<br>and Human Resources | -0-                | 595,291                   | 595,291            | 596,640            |
| Department of Health and Human Services              | -0-                | 1,403,451                 | 1,403,451          | 1,312,283          |
| Marshall University School of Medicine               | -0-                | 25,000                    | 25,000             | 39,583             |
| WVU Research Corporation                             | -0-                | 113,450                   | 113,450            | 124,316            |
| Other  | -0-                | 20,368                    | 20,368             | 35,770             |
| Medicaid EHR Incentive Program                       | 21,250             | -0-                       | 21,250             | 85,000             |
| WV Family Health Plan dividend                       | -0-                | -0-                       | -0-                | 31,323             |
| Interest   | 1,922              | -0-                       | 1,922              | 1,422              |
| Net assets released from restrictions:               |                    |                           |                    |                    |
| Satisfaction of grant activities                     | <u>2,157,560</u>   | <u>(2,157,560)</u>        | -0-                | -0-                |
| <b>Total Revenues, Gains, and Other Support</b>      | <u>4,612,129</u>   | <u>-0-</u>                | <u>4,612,129</u>   | <u>4,158,792</u>   |
| <b>Expenses and Losses</b>                           |                    |                           |                    |                    |
| Grants   |                    |                           |                    |                    |
| West Virginia Dept. of Health<br>and Human Resources | 595,291            | -0-                       | 595,291            | 596,640            |
| Department of Health and Human Services              | 1,403,451          | -0-                       | 1,403,451          | 1,312,283          |
| Marshall University School of Medicine               | 25,000             | -0-                       | 25,000             | 39,583             |
| WVU Research Corporation                             | 113,450            | -0-                       | 113,450            | 124,316            |
| Other  | 20,368             | -0-                       | 20,368             | 35,770             |
| Non-grant clinical services                          | 726,464            | -0-                       | 726,464            | 681,692            |
| Clinic administrative costs                          | <u>1,416,619</u>   | <u>-0-</u>                | <u>1,416,619</u>   | <u>1,229,615</u>   |
| <b>Total Expenses and Losses</b>                     | <u>4,300,643</u>   | <u>-0-</u>                | <u>4,300,643</u>   | <u>4,019,899</u>   |
| <b>Change in Net Assets</b>                          | 311,486            | -0-                       | 311,486            | 138,893            |
| <b>Net Assets, Beginning of Year</b>                 | <u>2,418,670</u>   | <u>-0-</u>                | <u>2,418,670</u>   | <u>2,279,777</u>   |
| <b>Net Assets, End of Year</b>                       | <u>\$2,730,156</u> | <u>\$ -0-</u>             | <u>\$2,730,156</u> | <u>\$2,418,670</u> |

See accompanying notes to financial statements.

**Tug River Health Association, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended January 31, 2015, with**  
**Comparative Totals for the Year Ended January 31, 2014**

|   | <u>2015</u>        | <u>2014</u>        |
|---|--------------------|--------------------|
| <b>Cash Flows From Operating Activities</b>   |                    |                    |
| Change in net assets  | \$ 311,486         | \$ 138,893         |
| Adjustment to reconcile change in net assets<br>to net cash provided by operating activities: |                    |                    |
| Depreciation  | 229,415            | 184,189            |
| Change in bad debt reserve  | 66,473             | (72,806)           |
| Increase in grants receivable   | (57,077)           | (28,771)           |
| Decrease in accounts receivable   | 90,621             | 206,342            |
| Decrease in accounts receivable – former employee   | 564                | 400                |
| Decrease in employee signing advance  | -0-                | 5,375              |
| Increase in prepaids and deposits   | (9,469)            | (1,682)            |
| Increase (decrease) in accounts payable   | 38,315             | (21,066)           |
| Decrease in accrued taxes and withholdings  | (10,044)           | (19,137)           |
| Increase (decrease) in accrued salaries and annual leave                                      | 2,365              | (101,711)          |
| Decrease in deferred revenues   | -0-                | (86,266)           |
| <b>Net Cash Provided By Operating Activities</b>  | <u>662,649</u>     | <u>203,760</u>     |
| <b>Cash Flows From Investing Activities</b>   |                    |                    |
| Purchase of property and equipment  | <u>(41,975)</u>    | <u>(69,588)</u>    |
| <b>Net Cash Used In Investing Activities</b>  | <u>(41,975)</u>    | <u>(69,588)</u>    |
| <b>Cash Flows From Financing Activities</b>   | <u>-0-</u>         | <u>-0-</u>         |
| <b>Net Increase in Cash</b>   | 620,674            | 134,172            |
| <b>Cash – Beginning of Year</b>   | <u>1,080,062</u>   | <u>945,890</u>     |
| <b>Cash – End of Year</b>   | <u>\$1,700,736</u> | <u>\$1,080,062</u> |
| <b>Supplemental disclosures of cash flow information:</b>                                     |                    |                    |
| Interest paid   | <u>\$ 5,315</u>    | <u>\$ 7,980</u>    |

See accompanying notes to financial statements.

## **Tug River Health Association, Inc.**

### **Notes to Financial Statements**

**January 31, 2015 with Comparative Totals  
as of January 31, 2014**

#### **Note A – Summary of Significant Accounting Policies**

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

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

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

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

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

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

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



**Tug River Health Association, Inc.**

**Notes to Financial Statements**

**January 31, 2015, with Comparative Totals  
as of January 31, 2014**

**Note A – Summary of Significant Accounting Policies (Continued)**

Comparative Totals - The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended January 31, 2014, from which the summarized information was derived.

Advertising – Advertising costs are expensed as incurred. Advertising expense was \$46,718 and \$25,672 for the years ended January 31, 2015 and 2014, respectively.

Property and Equipment – The Organization capitalizes all expenditures for property and equipment in excess of \$1,500. Property and equipment items are recorded at cost. Depreciation is computed by the straight-line method over the estimated useful lives of the assets. Depreciation expense for the years ended January 31, 2015 and 2014 was \$229,415 and \$184,819, respectively. The classification of these capitalized items are classified in the accompanying financial statements as follows, with comparative totals as of January 31, 2014:

|                                   | <u>2015</u>       | <u>2014</u>       |
|-----------------------------------|-------------------|-------------------|
| Land and improvements             | \$ 129,058        | \$ 129,058        |
| Buildings and improvements        | 1,573,260         | 1,573,260         |
| Vehicles, furniture and equipment | <u>830,300</u>    | <u>873,189</u>    |
|                                   | 2,532,618         | 2,575,507         |
| Less accumulated depreciation     | <u>1,990,727</u>  | <u>1,846,176</u>  |
|                                   | <u>\$ 541,891</u> | <u>\$ 729,331</u> |

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

Charity Care – The Organization provides care to patients, who meet certain criteria, without charge or at amounts less than its established rate under a sliding fee arrangement covered by grant funds. Because the Organization does not pursue collection of these amounts they are not included within net patient revenues. The amount of charity care approximated \$2,248,107 and \$2,280,859 for the years ended January 31, 2015 and 2014, respectively.

**Tug River Health Association, Inc.**

**Notes to Financial Statements**

**January 31, 2015 with Comparative Totals  
as of January 31, 2014**

**Note A – Summary of Significant Accounting Policies (Continued)**

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

Reclassifications – Certain reclassifications have been made to the 2014 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

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

As of January 31, 2015, the tax years that remain subject to examination by taxing authorities begin with 2012. Tax returns for 2012, 2013 and 2014 remain open to examination by taxing authorities. Management believes that all positions taken in those returns would be sustained if examined by taxing authorities.

**Note B – Program and Other Expenditures**

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

**Tug River Health Association, Inc.**

**Notes to Financial Statements**

**January 31, 2015 with Comparative Totals  
as of January 31, 2014**

**Note B – Program and Other Expenditures (Continued)**

Expenditures for the year ended January 31, 2015, with comparative totals as of January 31, 2014, were as follows:

|   | <u>Clinical<br/>Services</u> | <u>General<br/>Operating</u> | <u>Total</u>       | <u>2014<br/>Total</u> |
|---|------------------------------|------------------------------|--------------------|-----------------------|
| Salaries and wages                        | \$1,804,514                  | \$ 602,516                   | \$2,407,030        | \$2,325,853           |
| Payroll taxes and benefits                | 331,837                      | 110,705                      | 442,542            | 464,890               |
| Medical supplies and pharmacy             | 157,363                      | -0-                          | 157,363            | 132,510               |
| Office expense and advertising            | -0-                          | 135,582                      | 135,582            | 114,477               |
| Telephone and utilities                   | 38,741                       | 111,323                      | 150,064            | 140,840               |
| Maintenance, repairs and equipment rental | 58,274                       | 136,226                      | 194,500            | 180,843               |
| Insurance                                 | 11,290                       | 29,718                       | 41,008             | 38,888                |
| Travel and conferences                    | 45,336                       | 9,092                        | 54,428             | 36,620                |
| Depreciation                              | 216,294                      | 13,121                       | 229,415            | 184,189               |
| Reference lab and supplies                | 81,578                       | -0-                          | 81,578             | 91,834                |
| Contractual and professional              | 36,300                       | 64,362                       | 100,662            | 177,060               |
| Vehicle expenses                          | -0-                          | 2,553                        | 2,553              | 4,839                 |
| Interest                                  | 3,723                        | 1,592                        | 5,315              | 7,980                 |
| Other taxes and licenses                  | 13,020                       | 20,186                       | 33,206             | 23,757                |
| Bad debts                                 | -0-                          | 179,643                      | 179,643            | 25,000                |
| Occupancy                                 | 85,754                       | -0-                          | 85,754             | 70,319                |
|   | <u>\$2,884,024</u>           | <u>\$1,416,619</u>           | <u>\$4,300,643</u> | <u>\$4,019,899</u>    |

**Note C – Net Assets Released From Restrictions**

Net assets were released from donor and grant restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors for the year ended January 31, 2015 as follows:

Purpose restriction accomplished:

Grants

|   |                    |
|---|--------------------|
| WV Dept. of Health and Human Resources  | \$ 595,291         |
| Department of Health and Human Services | 1,403,451          |
| Marshall University School of Medicine  | 25,000             |
| WVU Research Corporation                | 113,450            |
| Other                                   | 20,368             |
|   | <u>\$2,157,560</u> |

**Note D – Line of Credit**

The Organization has a \$50,000 line of credit with a bank. Advances under the line are payable on demand and carry an interest rate of 8.25%. The credit line is secured by property held by the Organization. There was no balance outstanding under this line of credit at January 31, 2015 and 2014.

## **Tug River Health Association, Inc.**

### **Notes to Financial Statements**

**January 31, 2015 with Comparative Totals  
as of January 31, 2014**

#### **Note E – Certificates of Deposit**

Certificates of deposit totaling \$157,758 and \$157,705 at January 31, 2015 and 2014, respectively, are included in cash in the accompanying financial statements. The certificates bear interest at rates ranging from .05% to .15% and mature every six months with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

#### **Note F – Concentration of Funds**

The Organization receives a significant portion of its support from federal and state government grants and patient revenues at January 31, 2015 and 2014. A material reduction in the level of support or nonpayment of fees generated would have a significant impact on the Organization's programs and activities, and its ability to continue as a going concern.

#### **Note G – Accounts Receivable – Former Employee**

Beginning in April, 2008, the former CFO of the Organization embezzled a total of \$389,607 from its operating checking account until its discovery in July, 2009.

The former CFO admitted guilt in the embezzlement and has agreed to pay restitution. As part of the restitution plan, a deed of trust for property held by the former CFO has been signed over to the Organization, and they will receive the proceeds from the sale of the property after the original loan on the property has been paid off. Additionally, restitution payments are periodically made by the former CFO. As of January 31, 2015, the Organization had received \$54,964 in restitution from the former CFO and the Organization's insurance carrier, leaving a balance owed to the Organization of \$334,643.

During the years ended January 31, 2015 and 2014, the Organization has reviewed the total accounts receivable in relation to the collateral obtained, and has analyzed the ongoing real estate market conditions for the collateralized property as well. Based upon this analysis, the Organization recorded an allowance for uncollectible accounts of \$25,000 during the year ended January 31, 2014. During the year ended January 31, 2015, an additional \$179,643 was recorded as potentially uncollectible.

The Organization is also computing interest on the amount owed by the former CFO on an annual basis in accordance with the terms of an agreement that was negotiated. Due to the nature of the calculation and the perceived collectability of the amount, the accrued interest on the accounts receivable is not recorded as of January 31, 2015.

#### **Note H – Subsequent Events**

Subsequent events were evaluated through September 23, 2015, which is the date the financial statements were available to be issued, and determined that there are no subsequent events that require disclosure.

**Supplementary Information**

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

**For the Year Ended January 31, 2015**

| <u>Grant Number</u> | <u>Grant Amount</u> | <u>Amount Billed as of 1-31-14</u> | <u>Deferred Revenue at 1-31-14</u> | <u>Amount Billed</u> | <u>Expenditures</u> | <u>Deferred Revenue at 1-31-15</u> | <u>Amount to Be Billed</u> |
|---------------------|---------------------|------------------------------------|------------------------------------|----------------------|---------------------|------------------------------------|----------------------------|
| G140128             | \$ 426,534          | \$208,330                          | \$ -0-                             | \$218,204            | \$218,204           | \$ -0-                             | \$ -0-                     |
| G140408             | 165,063             | 93,433                             | -0-                                | 71,630               | 71,630              | -0-                                | -0-                        |
| G150440             | 122,875             | -0-                                | -0-                                | 80,172               | 80,172              | -0-                                | 42,703                     |
| G150125             | <u>447,586</u>      | <u>-0-</u>                         | <u>-0-</u>                         | <u>225,285</u>       | <u>225,285</u>      | <u>-0-</u>                         | <u>222,301</u>             |
|                     | <u>\$1,162,058</u>  | <u>\$301,763</u>                   | <u>\$ -0-</u>                      | <u>\$595,291</u>     | <u>\$595,291</u>    | <u>\$ -0-</u>                      | <u>\$265,004</u>           |

See independent auditors' report.

**Tug River Health Association, Inc.**  
**Schedule of Expenditures by Location**  
**For the Year Ended January 31, 2015**

|                                   | <u>Total</u>       | <u>Gary</u>        | <u>Northfork</u> | <u>Dental<br/>Clinic</u> | <u>Black<br/>Lung</u> |
|-----------------------------------|--------------------|--------------------|------------------|--------------------------|-----------------------|
| <b>Expenditures</b>               |                    |                    |                  |                          |                       |
| Salaries                          | \$2,407,030        | \$ 806,588         | \$402,960        | \$150,086                | \$416,430             |
| Payroll taxes and fringe benefits | 442,542            | 180,078            | 84,718           | 25,933                   | 43,942                |
| Medical supplies and pharmacy     | 157,363            | 41,695             | 12,786           | 26,019                   | 11,208                |
| Vehicle expenses                  | 2,553              | 1,882              | -0-              | -0-                      | 671                   |
| Telephone and utilities           | 150,064            | 70,410             | 32,929           | 3,298                    | 4,321                 |
| Travel and conferences            | 54,428             | 17,110             | 5,971            | 8,903                    | 8,323                 |
| Reference lab and supplies        | 81,578             | 36,201             | 29,379           | 1,040                    | 696                   |
| Office expenses and advertising   | 135,582            | 103,069            | 8,271            | 357                      | 7,877                 |
| Contractual and professional      | 100,662            | 100,602            | 60               | -0-                      | -0-                   |
| Equipment rental                  | 21,461             | 14,398             | 5,071            | -0-                      | -0-                   |
| Interest                          | 5,315              | 5,315              | -0-              | -0-                      | -0-                   |
| Depreciation                      | 229,415            | 106,782            | 42,234           | -0-                      | 12,810                |
| Insurance                         | 41,008             | 31,198             | 4,257            | -0-                      | 3,020                 |
| Repairs and maintenance           | 173,039            | 138,883            | 18,112           | 841                      | 6,844                 |
| Dues, fees and licenses           | 19,825             | 10,118             | 3,074            | 831                      | 1,145                 |
| Occupancy                         | 85,754             | 33,163             | 22,465           | -0-                      | -0-                   |
| Bad debts                         | 179,643            | 179,643            | -0-              | -0-                      | -0-                   |
| Other taxes                       | 13,381             | 5,920              | 3,839            | -0-                      | 3,435                 |
| <b>Total Expenditures</b>         | <u>\$4,300,643</u> | <u>\$1,883,055</u> | <u>\$676,126</u> | <u>\$217,308</u>         | <u>\$520,722</u>      |

See independent auditors' report.

| <u>AHEC</u>      | <u>Pineville</u> | <u>Mount<br/>View</u> | <u>Wellness</u> | <u>Riverview</u> |
|------------------|------------------|-----------------------|-----------------|------------------|
| \$ 76,454        | \$288,341        | \$170,061             | \$ -0-          | \$ 96,110        |
| 12,682           | 46,400           | 24,473                | -0-             | 24,316           |
| -0-              | 50,553           | 3,823                 | -0-             | 11,279           |
| -0-              | -0-              | -0-                   | -0-             | -0-              |
| 1,522            | 17,593           | 9,282                 | 1,834           | 8,875            |
| 9,118            | 1,786            | 225                   | -0-             | 2,992            |
| -0-              | 10,053           | 552                   | -0-             | 3,657            |
| 3,813            | 6,385            | 4,156                 | 99              | 1,555            |
| -0-              | -0-              | -0-                   | -0-             | -0-              |
| -0-              | 1,992            | -0-                   | -0-             | -0-              |
| -0-              | -0-              | -0-                   | -0-             | -0-              |
| -0-              | 4,231            | -0-                   | 63,358          | -0-              |
| -0-              | -0-              | -0-                   | 2,353           | 180              |
| -0-              | 6,739            | 895                   | -0-             | 725              |
| -0-              | 3,156            | 75                    | -0-             | 1,426            |
| -0-              | 3,975            | 13,257                | -0-             | 12,894           |
| -0-              | -0-              | -0-                   | -0-             | -0-              |
| -0-              | 187              | -0-                   | -0-             | -0-              |
| <u>\$103,589</u> | <u>\$441,391</u> | <u>\$226,799</u>      | <u>\$67,644</u> | <u>\$164,009</u> |



**Tug River Health Association, Inc.**  
**Schedule of Expenses by Service Type**  
**For the Year Ended January 31, 2015**

|                                   | <u>Total</u>       | <u>Medical</u>     | <u>Lab</u>       | <u>X-Ray</u>    | <u>Dental</u>    |
|-----------------------------------|--------------------|--------------------|------------------|-----------------|------------------|
| <b>Expenditures</b>               |                    |                    |                  |                 |                  |
| Salaries                          | \$2,407,030        | \$1,406,272        | \$45,268         | \$26,797        | \$150,086        |
| Payroll taxes and fringe benefits | 442,542            | -0-                | -0-              | -0-             | -0-              |
| Medical supplies and pharmacy     | 157,363            | 129,754            | -0-              | 1,590           | 26,019           |
| Vehicle expenses                  | 2,553              | -0-                | -0-              | -0-             | -0-              |
| Telephone and utilities           | 150,064            | 2,890              | -0-              | -0-             | -0-              |
| Travel and conferences            | 54,428             | 20,032             | 752              | -0-             | 8,903            |
| Reference lab and supplies        | 81,578             | -0-                | 80,538           | -0-             | 1,040            |
| Office expenses and advertising   | 135,582            | -0-                | -0-              | -0-             | -0-              |
| Contractual and professional      | 100,662            | 11,410             | -0-              | 600             | -0-              |
| Equipment rental                  | 21,461             | -0-                | -0-              | -0-             | -0-              |
| Interest                          | 5,315              | 3,723              | -0-              | -0-             | -0-              |
| Depreciation                      | 229,415            | 131,208            | -0-              | -0-             | 19,206           |
| Insurance                         | 41,008             | -0-                | 2,961            | -0-             | -0-              |
| Repairs and maintenance           | 173,039            | 7,334              | -0-              | 15,774          | -0-              |
| Dues, fees and licenses           | 19,825             | 11,375             | -0-              | -0-             | -0-              |
| Occupancy                         | 85,754             | -0-                | -0-              | -0-             | -0-              |
| Bad debts                         | 179,643            | -0-                | -0-              | -0-             | -0-              |
| Other taxes                       | 13,381             | -0-                | -0-              | -0-             | -0-              |
| <b>Total Expenditures</b>         | <u>\$4,300,643</u> | <u>\$1,723,998</u> | <u>\$129,519</u> | <u>\$44,761</u> | <u>\$205,254</u> |

See independent auditors' report.

| <u>Other Health</u> | <u>Admin.</u>      | <u>Facility</u>  | <u>Fringes</u>   |
|---------------------|--------------------|------------------|------------------|
| \$152,349           | \$ 602,516         | \$ 23,742        | \$ -0-           |
| -0-                 | -0-                | -0-              | 442,542          |
| -0-                 | -0-                | -0-              | -0-              |
| -0-                 | 2,553              | -0-              | -0-              |
| -0-                 | 111,323            | 35,851           | -0-              |
| 15,649              | 9,092              | -0-              | -0-              |
| -0-                 | -0-                | -0-              | -0-              |
| -0-                 | 135,582            | -0-              | -0-              |
| 24,290              | 64,362             | -0-              | -0-              |
| -0-                 | 21,461             | -0-              | -0-              |
| -0-                 | 1,592              | -0-              | -0-              |
| -0-                 | 13,121             | 65,880           | -0-              |
| -0-                 | 29,718             | 8,329            | -0-              |
| -0-                 | 114,765            | 35,166           | -0-              |
| 1,645               | 6,805              | -0-              | -0-              |
| -0-                 | -0-                | 85,754           | -0-              |
| -0-                 | 179,643            | -0-              | -0-              |
| -0-                 | <u>13,381</u>      | <u>-0-</u>       | <u>-0-</u>       |
| <u>\$193,933</u>    | <u>\$1,305,914</u> | <u>\$254,722</u> | <u>\$442,542</u> |

# Herman & Cormany

## Certified Public Accountants, A.C.

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Accountants & Consultants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Tug River Health Association, Inc. (a nonprofit organization), which comprise the statement of financial position as of January 31, 2015, 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 September 23, 2015.

### **Internal Control over Financial Reporting**

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

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies and is identified at item 2015-001.

### **Compliance and Other Matters**

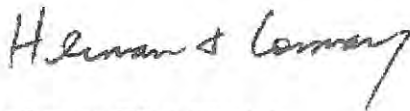
As part of obtaining reasonable assurance about whether Tug River Health Association, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2015-001.

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

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

### **Purpose of this Report**

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



Charleston, West Virginia  
September 23, 2015

DHHR - Finance

OCT 29 2015

Date Received

# Herman & Cormany

## Certified Public Accountants, A.C.

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Accountants & Consultants

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

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

#### Report on Compliance for Each Major Federal Program

We have audited Tug River Health Association, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Tug River Health Association, Inc.'s major federal programs for the year ended January 31, 2015. Tug River Health Association, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### Management's Responsibility

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

#### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Tug River Health Association, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Tug River Health Association, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

### **Opinion on Each Major Federal Program**

In our opinion, Tug River Health Association, Inc.'s complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended January 31, 2015.

### **Report on Internal Control over Compliance**

Management of Tug River Health Association, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Tug River Health Association, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of Tug River Health Association, Inc.'s internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Tug River Health Association, Inc.'s internal control over compliance.

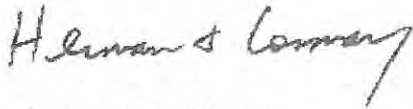
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies may exist that were not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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2015-001 to be a significant deficiency.

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

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

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



Charleston, West Virginia  
September 23, 2015

DHHR - Finance

OCT 29 2015

Date Received

**Tug River Health Association, Inc.**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended January 31, 2015**

| <u>Federal Grantor</u>  | <u>Federal<br/>CFDA Number</u> | <u>Agency or<br/>Pass-Through<br/>Number</u> | <u>Disbursements/<br/>Expenditures</u> |
|---|--------------------------------|--|--|
| <b>DIRECT AWARDS</b>  |                                |  |  |
| Department of Health and Human Services<br>Community Health Centers Program   | 93.224                         | H80CS00701                                   | <u>\$1,403,451</u>                     |
| <b>PASS THROUGH AWARDS</b>  |                                |  |  |
| Department of Health and Human Services Passed<br>Through the West Virginia Department of Health<br>and Human Resources |                                |  |  |
| Coal Miners Respiratory Impairment Treatment<br>Clinic and Services   | 93.965                         | G140408                                      | 60,775                                 |
| Coal Miners Respiratory Impairment Treatment<br>Clinic and Services   | 93.965                         | G150440                                      | <u>68,011</u>                          |
|   |                                |  | <u>128,786</u>                         |
| <b>Total expenditures of federal awards</b>   |                                |  | <u><b>\$1,532,237</b></u>              |



**Tug River Health Association, Inc.**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For The Year Ended January 31, 2015**

**Note A – Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Tug River Health Association, Inc. under programs of the federal government for the year ended January 31, 2015. 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*. Because the Schedule presents only a selected portion of the operations of Tug River Health Association, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Tug River Health Association, Inc.

**Note B – Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Additionally, pass-through entity identifying numbers are presented where available.

**Tug River Health Association, Inc.**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended January 31, 2015**

**Section 1 – Summary of Auditors’ Results**

**Financial Statements**

Type of auditors’ report issued: unmodified

Internal control over financial reporting:

• Material weakness identified? \_\_\_ Yes  x  No

• Significant deficiencies identified?  x  Yes \_\_\_ No

Noncompliance material to financial statements noted? \_\_\_ Yes  x  No

**Federal Awards**

Internal control over major programs:

• Material weakness identified? \_\_\_ Yes  x  No

• Significant deficiencies identified?  x  Yes \_\_\_ No

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

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

Identification of major programs:

**CFDA Number(s)**

93.224

**Name of Federal Program or Cluster**

Community Health Centers Program

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

\_\_\_ Yes  x  No

**Tug River Health Association, Inc.**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended January 31, 2015**

**Section II - Financial Statement Findings**

**2015-001 Segregation of Duties**

*Condition:* The Organization's CFO/COO is performing multiple accounting transactions and procedures on an ongoing basis.

*Criteria:* Due to the small size of the Organization, daily accounting procedures such as processing checks, reconciling bank accounts, posting of customer deposits to subsidiary ledgers and recording of payments received for bank deposits are being process by the same individual.

*Effect:* Since the same individual is responsible for multiple accounting functions, the potential for errors or irregularities could occur.

*Recommendation:* The Organization should hire an additional qualified accounting staff member or outside qualified accounting assistance that can provide assistance with these transactions on a daily basis.

*Response:* We agree with the recommendation and will pursue the engagement of qualified accounting assistance to take over some of these duties. A portion of these duties were performed by an individual who has retired, and they need to be replaced with the appropriate assistance on a regular basis.

**Section III – Federal Award Findings and Questioned Costs**

Item 2015-001 listed in Section II is a federal award finding that is considered a significant deficiency.