

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

**FINANCIAL STATEMENTS WITH  
ADDITIONAL INFORMATION**

**YEARS ENDED JUNE 30, 2016 AND 2015**

DHHR - Finance

JAN 31 2017

Date Received

**COMMUNITY CARE OF WEST VIRGINIA, INC.  
FINANCIAL STATEMENTS WITH  
ADDITIONAL INFORMATION  
YEARS ENDED JUNE 30, 2016 AND 2015**

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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 statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 January 19, 2017, 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.

*Wane & Hall PLLC*

Huntington, West Virginia  
January 19, 2017

DHHR - Finance

JAN 31 2017

Date Received

**COMMUNITY CARE OF WEST VIRGINIA, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 1,320,053	\$ 1,483,428
Accounts receivable, net of allowance for doubtful accounts of \$320,000 in 2016 and \$280,000 in 2015	2,317,695	2,028,571
Grants receivable	10,000	337,732
Other receivable	2,031	-0-
Inventory	616,952	523,162
Prepaid Expenses	<u>206,159</u>	<u>79,990</u>
<b>TOTAL CURRENT ASSETS</b>	<u>4,472,890</u>	<u>4,452,883</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>5,060,369</u>	<u>4,190,465</u>
<b>OTHER ASSETS</b>		
Goodwill	222,500	250,000
Deposits	<u>17,977</u>	<u>16,550</u>
<b>TOTAL OTHER ASSETS</b>	<u>240,477</u>	<u>266,550</u>
<b>TOTAL ASSETS</b>	<u>\$ 9,773,736</u>	<u>\$ 8,909,898</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 862,362	\$ 586,632
Accrued and withheld payroll taxes	281,152	223,727
Accrued payroll and compensated absences	631,773	805,267
Other accrued liabilities	49,924	152,972
Current portion of notes payable	644,517	143,860
Current portion of obligations under capital lease	<u>85,093</u>	<u>15,852</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>2,554,821</u>	<u>1,928,310</u>
<b>LONG-TERM LIABILITIES</b>		
Notes payable, less current maturities included above	1,715,617	1,909,355
Obligations under capital lease, less current portion included above	<u>285,886</u>	<u>25,473</u>
<b>TOTAL LONG-TERM LIABILITIES</b>	<u>2,001,503</u>	<u>1,934,828</u>
<b>TOTAL LIABILITIES</b>	<u>4,556,324</u>	<u>3,863,138</u>
<b>NET ASSETS</b>		
Unrestricted:		
Operations	2,888,156	2,950,835
Property and equipment	<u>2,329,256</u>	<u>2,095,925</u>
<b>TOTAL NET ASSETS</b>	<u>5,217,412</u>	<u>5,046,760</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 9,773,736</u>	<u>\$ 8,909,898</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**COMMUNITY CARE OF WEST VIRGINIA, INC.**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED JUNE 30, 2016 AND 2015**

	2016		
	Unrestricted		<u>Total</u>
	<u>Operations</u>	Fixed <u>Assets</u>	
<b>SUPPORT AND REVENUE,</b>			
Net patient service revenue	\$ 21,315,921	\$ -0-	\$ 21,315,921
Federal and state grants	4,302,257	275,594	4,577,851
Medicaid	204,000	-0-	204,000
Contributions	770,266	-0-	770,266
Interest	2,295	-0-	2,295
Other	<u>78,475</u>	<u>-0-</u>	<u>78,475</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u>26,673,214</u>	<u>275,594</u>	<u>26,948,808</u>
 <b>EXPENSES</b>			
Program services			
Medical Clinics	16,041,225	234,047	16,275,272
School based health centers	1,373,619	54,859	1,428,478
Pharmacies	4,628,817	5,539	4,634,356
Dental	482,432	40,129	522,561
NWVRHEC	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<b>TOTAL PROGRAM SERVICES</b>	<u>22,526,093</u>	<u>334,574</u>	<u>22,860,667</u>
Supporting services			
Management and general	<u>3,744,313</u>	<u>173,176</u>	<u>3,917,489</u>
<b>TOTAL EXPENSES</b>	<u>26,270,406</u>	<u>507,750</u>	<u>26,778,156</u>
 Change in net assets	402,808	(232,156)	170,652
 <b>NET ASSETS, BEGINNING OF YEAR</b>	2,950,835	2,095,925	5,046,760
 Transfer in (out)	<u>(465,487)</u>	<u>465,487</u>	<u>-0-</u>
 <b>NET ASSETS, END OF YEAR</b>	<u>\$ 2,888,156</u>	<u>\$ 2,329,256</u>	<u>\$ 5,217,412</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

2015

<u>Unrestricted</u>		<u>Total</u>
<u>Operations</u>	<u>Fixed Assets</u>	
\$ 19,737,490	\$ -0-	\$ 19,737,490
2,779,897	253,898	3,033,795
272,000	-0-	272,000
477,501	-0-	477,501
430	-0-	430
<u>178,961</u>	<u>-0-</u>	<u>178,961</u>
<u>23,446,279</u>	<u>253,898</u>	<u>23,700,177</u>
11,953,112	207,801	12,160,913
1,487,470	54,857	1,542,327
4,232,786	5,539	4,238,325
561,803	73,163	634,966
<u>201,951</u>	<u>-0-</u>	<u>201,951</u>
18,437,122	341,360	18,778,482
<u>3,739,983</u>	<u>52,740</u>	<u>3,792,723</u>
<u>22,177,105</u>	<u>394,100</u>	<u>22,571,205</u>
1,269,174	(140,202)	1,128,972
1,888,301	2,029,487	3,917,788
<u>(206,640)</u>	<u>206,640</u>	<u>-0-</u>
\$ <u>2,950,835</u>	\$ <u>2,095,925</u>	\$ <u>5,046,760</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**COMMUNITY CARE OF WEST VIRGINIA, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 170,652	\$ 1,128,972
Adjustments to reconcile change in net assets to net cash provided by Operating activities:		
Depreciation	507,750	394,100
Bad debts	40,000	30,000
Loss on equipment disposition	-0-	928
(Increase) decrease in operating assets:		
Accounts receivable	(329,124)	(196,078)
Grants receivable	327,732	(162,579)
Other receivable	(2,031)	-0-
Inventory	(93,790)	(12,252)
Prepaid expenses	(126,169)	(79,990)
Deposits	(1,427)	-0-
Increase (decrease) in operating liabilities:		
Accounts payable	275,730	(261,240)
Accrued and withheld payroll taxes	57,425	(320,177)
Accrued payroll and compensated absences	(173,494)	240,809
Other accrued liabilities	<u>(103,048)</u>	<u>163,073</u>
 <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	 <u>550,206</u>	 <u>925,566</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	<u>(977,933)</u>	<u>(28,376)</u>
 <b>NET CASH (USED IN) INVESTING ACTIVITIES</b>	 <u>(977,933)</u>	 <u>(28,376)</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on notes payable	(215,581)	(2,965,906)
Proceeds on notes payable	550,000	2,536,879
Principal payments on obligations under capital lease	<u>(70,067)</u>	<u>(4,063)</u>
 <b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	 <u>264,352</u>	 <u>(433,090)</u>
 <b>(DECREASE) INCREASE IN CASH</b>	 (163,375)	 464,100
 <b>CASH AT BEGINNING OF YEAR</b>	 <u>1,483,428</u>	 <u>1,019,328</u>
 <b>CASH AT END OF YEAR</b>	 \$ <u><u>1,320,053</u></u>	 \$ <u><u>1,483,428</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS



**COMMUNITY CARE OF WEST VIRGINIA, INC.**  
**STATEMENTS OF CASH FLOWS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash paid during the year for:		
Interest	\$ <u>130,406</u>	\$ <u>96,611</u>
Income taxes	\$ <u>-0-</u>	\$ <u>-0-</u>

**SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:**

In fiscal year ended June 30, 2016, capital lease obligations of \$399,721 were incurred when the Organization entered into a lease for telephone equipment.

In fiscal year ended June 30, 2016, the Organization paid off the remaining debt related to the purchase of a practice which created goodwill at a discounted amount. As a result, goodwill and notes payable were reduced by \$27,500.

In fiscal year ended June 30, 2015, a capital lease obligation of \$45,388 was incurred when the Organization entered into a lease for medical equipment.

**COMMUNITY CARE OF WEST VIRGINIA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**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), and federal and state grants.

**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 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, 2016 AND 2015**

**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.

**RECLASSIFICATIONS**

Certain items presented in the 2015 financial statements have been reclassified for comparative purposes.

**COMMUNITY CARE OF WEST VIRGINIA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**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 2013.

**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 \$40,528 and \$163,445 in 2016 and 2015, respectively 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 Statements 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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Land	\$ 352,025	\$ 352,025
Buildings and improvements	5,815,809	5,139,951
Medical equipment	661,135	625,808
Office equipment, furniture, and fixtures	998,620	731,872
Property held under capital lease	<u>445,109</u>	<u>45,388</u>
	8,272,698	6,895,044
Less: accumulated depreciation	<u>(3,212,329)</u>	<u>(2,704,579)</u>
Property and equipment, net	\$ <u>5,060,369</u>	\$ <u>4,190,465</u>

Depreciation expense for the years ended June 30, 2016 and 2015 totaled \$507,750 and \$394,100, respectively.

**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 the 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, 2016 AND 2015**

**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.

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

Management has assessed qualitative factors surrounding this reporting unit at June 30, 2016 and 2015 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.

In fiscal year ended June 30, 2016, the Organization paid off the remaining debt related to the purchase at a discounted amount of \$72,500. This resulted in a reduction of the purchase price by \$27,500. The value of the goodwill was, therefore, reduced by \$27,500 in fiscal year ended June 30, 2016.

**NOTE 4 - NOTES PAYABLE**

Following is a summary of notes payable as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Note payable to Citizens Bank of Weston, original face \$1.7 million, payable in 60 monthly installments of \$10,585 inclusive of interest at 4.25% beginning April, 2015, plus an additional 180 monthly installments of \$10,585 inclusive of interest at a variable rate known as the Wall Street Journal U.S. Prime Rate plus 1% beginning April, 2020 with a final payment due in March, 2035 for all principal and interest outstanding, secured by Deeds of Trust on real estate.	\$ 1,630,869	\$ 1,690,075
Line of credit payable to Citizens Bank of Weston, maximum amount \$1.0 million, interest payable monthly at a variable rate known as the Wall Street Journal U.S. Prime Rate (3.5% at June 30, 2016). All principal and unpaid interest outstanding is due in March, 2017, secured by Deed of Trust on real estate, inventory, chattel paper, accounts receivable, equipment, and general intangibles.	550,000	-0-

**COMMUNITY CARE OF WEST VIRGINIA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 4 - NOTES PAYABLE (CONTINUED)**

	<u>2016</u>	<u>2015</u>
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, 2016), due in September, 2022, secured by Deed of Trust on real estate.	\$ 179,265	\$ 213,140
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 in January, 2018, unsecured, paid off in fiscal year ended June 30, 2016.	<u>-0-</u>	<u>150,000</u>
Total	2,360,134	2,053,215
Less: Current Maturities	<u>(644,517)</u>	<u>(143,860)</u>
Long-term Portion	\$ <u>1,715,617</u>	\$ <u>1,909,355</u>

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

<u>Years Ending June 30.</u>	
2017	\$ 644,517
2018	96,767
2019	100,197
2020	103,759
2021	106,179
Thereafter	<u>1,308,715</u>
Total	\$ <u>2,360,134</u>

Interest expense on notes payable for the years ended June 30, 2016 and 2015 totaled \$99,977 and \$95,972, respectively.

At June 30, 2016, the Organization had \$450,000 remaining unused on the Line of Credit with Citizens Bank of Weston, as disclosed above, to be drawn upon as needed.

In addition, the Organization had an additional \$500,000 unused line of credit with Citizens Bank of Weston at June 30, 2016 to be drawn upon as needed.

**NOTE 5 - CAPITAL LEASE**

The Organization is the lessee of medical and telephone equipment under capital leases expiring in various years through fiscal year ending June 30, 2021. The assets and liabilities under the capital leases are recorded at fair value of the assets. The assets are being depreciated over their estimated useful lives. Depreciation of the assets under capital leases is included in depreciation expense for 2016 and 2015.

**COMMUNITY CARE OF WEST VIRGINIA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 5 - CAPITAL LEASE (CONTINUED)**

	<u>2016</u>	<u>2015</u>
Following is a summary of property held under capital leases:		
Medical equipment	\$ 45,388	\$ 45,388
Telephone equipment	<u>399,721</u>	<u>-0-</u>
Total	445,109	45,388
Less: Accumulated depreciation	<u>(93,561)</u>	<u>(4,539)</u>
Net	\$ <u>351,548</u>	\$ <u>40,849</u>

Minimum future lease payments under capital leases as of June 30, 2016 for each of the next five years and in the aggregate are:

<u>Years Ending June 30,</u>	
2017	\$ 116,261
2018	112,479
2019	101,132
2020	101,132
2021	<u>17,720</u>
Net minimum lease payments	448,724
Less: Amount representing interest	<u>(77,745)</u>
Present value of net minimum lease payments	\$ <u>370,979</u>

The interest rates on the capital leases vary from 4.25% to 9.84% and are imputed based on the lower of the Organization's incremental borrowing rate at the inception of the lease or the lessor's implicit rate of return.

Interest expense on capital leases for the years ended June 30, 2016 and 2015 totaled \$29,822 and \$639, respectively.

**NOTE 6 - 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 years ended June 30, 2016 and 2015, revenue under this program amounted to \$3,826,484 and \$2,552,510, respectively.

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 years ended June 30, 2016 and 2015, revenue under this program amounted to \$7,747,261 and \$6,496,515, respectively. In addition, during the year ended June 30, 2015 the Organization received another \$2,071,341 in Medicaid back pay due to the retroactive effect of implementing a new prospective payment system encounter rate to claims incurred after September 30, 2012.

**COMMUNITY CARE OF WEST VIRGINIA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 6 - NET PATIENT SERVICE REVENUE (CONTINUED)**

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 years ended June 30, 2016 and 2015, revenue under these contracts amounted to \$8,929,101 and \$7,361,933, respectively.

**NOTE 7 - OPERATING LEASES**

The Organization leases health clinics and pharmacy facilities at various locations under operating leases expiring in various years through 2030. Total rent expense charged to operations resulting from these lease agreements for the years ended June 30, 2016 and 2015 amounted to \$677,720 and \$563,822, respectively.

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, 2016 for each of the next five years and in the aggregate are:

<u>Years Ending June 30,</u>	<u>Amount</u>
2017	\$ 535,410
2018	542,431
2019	527,351
2020	414,453
2021	273,191
Thereafter	<u>1,460,116</u>
Total minimum future rental payments	<u>\$ 3,752,952</u>

The Organization also leases copiers, computer equipment, and a postage machine under various operating leases, expiring in various years though June 30, 2022. Total rent expense charged to operations resulting from these lease agreements for the years ended June 30, 2016 and 2015 amounted to \$57,503 and \$46,063, respectively.

Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year as of June 30, 2016 for each of the next five years and in the aggregate are:

<u>Years Ending June 30,</u>	<u>Amount</u>
2017	\$ 60,845
2018	56,789
2019	49,491
2020	46,093
2021	32,802
Thereafter	<u>386</u>
Total minimum future rental payments	<u>\$ 246,406</u>



**COMMUNITY CARE OF WEST VIRGINIA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 8 - RETIREMENT PLAN**

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 years ended June 30, 2016 and 2015 under this plan amounted to \$231,678 and \$179,843, respectively.

**NOTE 9 - 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 \$320,000 and \$280,000 at June 30, 2016 and 2015, respectively.

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 years ended June 30, 2016 and 2015. 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 \$559,581 and \$280,778 at these banking institutions at June 30, 2016 and 2015, respectively.

**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, 2016 and 2015, the Organization has \$176,408 and \$107,780, respectively, of donated pharmaceuticals and supplies in inventory. The Organization recognized donated pharmaceuticals and supplies revenue and expenses during the fiscal years ended June 30, 2016 and 2015 as follows:

	<u>2016</u>	<u>2015</u>
Donated pharmaceuticals and supplies revenue	\$ <u>555,049</u>	\$ <u>351,795</u>
Donated pharmaceuticals and supplies expense	\$ <u>479,066</u>	\$ <u>392,110</u>

**NOTE 11 - SUBSEQUENT EVENTS**

Management has reviewed events occurring subsequent to June 30, 2016 through January 19, 2017, (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, 2016:

**COMMUNITY CARE OF WEST VIRGINIA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 11 - SUBSEQUENT EVENTS (CONTINUED)**

On July 13, 2016, the Organization entered into a construction contract to renovate commercial property into a community health center for its Carexpress of Buckhannon clinic at a total cost of \$149,000.

On July 18, 2016, the Organization entered into a construction contract to renovate commercial property into a health clinic and corporate offices at a total cost of \$967,000.

On September 28, 2016, the Organization purchased a vacant lot to be used for parking at its corporate office/health clinic at a total cost of \$65,000.

**ADDITIONAL INFORMATION**

**COMMUNITY CARE OF WEST VIRGINIA, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
YEAR ENDED JUNE 30, 2016**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through Entity ID Number	Program Period
<b>FEDERAL AWARDS</b>			
<b>U.S. Department of Health and Human Services</b>			
Health Centers Cluster:			
Consolidated Health Centers	93.224	H80CS00080-14	12/01/14 - 03/31/16
ACA-Grants for New and Expanded Services Under the Health Center Program	93.527	H80CS00080-14	12/01/14 - 03/31/16
Consolidated Health Centers	93.224	H80CS00080-15	04/01/16 - 03/31/17
ACA-Grants for New and Expanded Services Under the Health Center Program	93.527	H80CS00080-15	04/01/16 - 03/31/17
Health Centers Cluster Subtotal			
ACA-Grants for Capital Development in Health Centers	93.526	C8CCS27621-01	09/01/14 - 08/31/16
ACA-Grants for Capital Development in Health Centers	93.526	C8DCS29155-01	09/30/15 - 09/29/18
<b>Pass-through - State of West Virginia, West Virginia Department of Health and Human Resources:</b>			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	G150594	10/01/14 - 09/30/15
Block Grants for Prevention and Treatment of Substance Abuse	93.959	G160547	10/01/15 - 09/30/16
Grants to States for Loan Repayment Program	93.165	G160662	01/01/16 - 06/30/16
<b>Pass-through West Virginia Primary Care Association, Inc.:</b>			
National Bioterrorism Hospital Preparedness Program	93.889	N/A	01/10/16 - 06/30/16
<b>Total U.S. Department of Health and Human Services</b>			
<b>Total Expenditures of Federal Awards</b>			

<u>Program or Award Amount</u>	<u>Expenditures</u>	<u>Expenditures to Subrecipients</u>
\$ 706,058	\$ 520,680 1)	\$ -0-
3,399,777	2,507,155 2)	-0-
948,416	178,097 1)	-0-
3,226,612	<u>605,903</u> 2)	<u>-0-</u>
	3,811,835	-0-
250,000	229,378 3)	-0-
1,000,000	46,216 3)	-0-
50,000	50,000 4)	-0-
50,000	37,500 4)	-0-
40,000	40,000	-0-
6,300	<u>6,300</u>	<u>-0-</u>
	<u>4,221,229</u>	<u>-0-</u>
	<u>4,221,229</u>	<u>-0-</u>

**COMMUNITY CARE OF WEST VIRGINIA, INC.  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
 YEAR ENDED JUNE 30, 2016**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through Entity ID Number	Program Period
<b>STATE AWARDS</b>			
<b>West Virginia Department of Health and Human Resources:</b>			
Primary Care Mortgage Finance	N/A	G160224	07/01/15 - 06/30/16
Primary Care Mortgage Finance	N/A	G160225	07/01/15 - 06/30/16
Primary Care Support Program	N/A	G160251	07/01/15 - 06/30/16
Recruitment and Retention Community Project Loan Repayment Program	N/A	G160661	10/01/15 - 06/30/16
State Loan Repayment Program	N/A	G160662	01/01/16 - 06/30/16
<b>Total of West Virginia Department of Health and Human Resources</b>			
<b>Total Expenditures of State Awards</b>			
<b>Total Expenditures of Federal and State Awards</b>			

**Combined Expenditures**

- 1) CFDA No. 93.224 \$ 698,777
- 2) CFDA No. 93.527 \$ 3,113,058
- 3) CFDA No. 93.526 \$ 275,594
- 4) CFDA No. 93.959 \$ 87,500

Program or Award Amount	<u>Expenditures</u>	<u>Expenditures to Subrecipients</u>
\$ 8,040	\$ 8,040	\$ -0-
5,025	5,025	-0-
243,557	243,557	-0-
60,000	60,000	-0-
40,000	<u>40,000</u>	<u>-0-</u>
	<u>356,622</u>	<u>-0-</u>
	<u>356,622</u>	<u>-0-</u>
	\$ <u>4,577,851</u>	\$ <u>-0-</u>

**COMMUNITY CARE OF WEST VIRGINIA, INC.**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**YEAR ENDED JUNE 30, 2016**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of Federal and State awards (the schedule) includes the federal award activity of Community Care of West Virginia, Inc. under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Community Care of West Virginia, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Community Care of West Virginia, Inc.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- a. Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- b. Community Care of West Virginia, Inc. has elected to not use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.



**COMMUNITY CARE OF WEST VIRGINIA, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2016**

	Program Services			
	<u>Medical Clinics</u>	<u>School Based Health Centers</u>	<u>Pharmacies</u>	<u>Dental</u>
Salaries, benefits, and taxes	\$ 12,288,303	\$ 1,120,169	\$ 1,108,716	\$ 347,040
Consulting and professional services	136,099	5,872	47,527	10,772
Professional dues, CME, and other education	406,584	51,052	23,236	42,683
Travel, meals, and hospitality	95,005	1,304	395	44
Rent and leases	684,234	-0-	54,000	20,749
Communication and utilities	603,704	79,154	43,776	12,171
Repairs and maintenance	212,945	3	4,306	3,356
Insurance	20,583	-0-	16,671	-0-
Supplies	1,301,653	103,802	3,070,856	45,305
Advertising	7,994	23	529	59
Interest, bank fees, and penalties	36,484	12,240	13,325	229
Pharmaceuticals, supplies, and space in-kind	233,589	-0-	245,477	-0-
Other	<u>14,048</u>	<u>-0-</u>	<u>3</u>	<u>24</u>
<b>TOTAL EXPENSES BEFORE DEPRECIATION</b>	16,041,225	1,373,619	4,628,817	482,432
Depreciation	<u>234,047</u>	<u>54,859</u>	<u>5,539</u>	<u>40,129</u>
<b>TOTAL EXPENSES</b>	\$ <u>16,275,272</u>	\$ <u>1,428,478</u>	\$ <u>4,634,356</u>	\$ <u>522,561</u>

	<u>Supporting Services</u>	
<u>Total Program Services</u>	<u>Management and General</u>	<u>Total</u>
\$ 14,864,228	\$ 1,744,136	\$ 16,608,364
200,270	1,145,066	1,345,336
523,555	42,393	565,948
96,748	27,982	124,730
758,983	1,771	760,754
738,805	134,423	873,228
220,610	1,527	222,137
37,254	68,911	106,165
4,521,616	73,769	4,595,385
8,605	31,923	40,528
62,278	209,600	271,878
479,066	215,117	694,183
<u>14,075</u>	<u>47,695</u>	<u>61,770</u>
22,526,093	3,744,313	26,270,406
<u>334,574</u>	<u>173,176</u>	<u>507,750</u>
\$ <u>22,860,667</u>	\$ <u>3,917,489</u>	\$ <u>26,778,156</u>

**COMMUNITY CARE OF WEST VIRGINIA, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2015**

	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	\$ 9,347,785	\$ 1,080,400	\$ 1,050,200	\$ 463,801	\$ 38,301
Consulting and professional services	85,210	831	35,413	10,756	47,156
Professional dues, CME, and other education	78,484	3,160	2,505	2,267	4,826
Travel, meals, and hospitality	51,177	422	(332)	46	7,828
Rent and leases	533,621	-0-	52,800	18,000	213
Communication and utilities	583,883	57,699	32,744	10,222	1,495
Repairs and maintenance	191,042	63	7,955	3,712	-0-
Insurance	73,051	20,155	19,703	2,431	598
Supplies	774,672	324,740	2,833,411	50,382	103,059
Advertising	3,049	-0-	819	183	-0-
Interest, bank fees, and penalties	5,511	-0-	8,333	3	14
Pharmaceuticals, supplies, and space in-kind	219,449	-0-	163,490	-0-	-0-
Other	<u>6,178</u>	<u>-0-</u>	<u>25,745</u>	<u>-0-</u>	<u>(1,539)</u>
<b>TOTAL EXPENSES BEFORE DEPRECIATION</b>	11,953,112	1,487,470	4,232,786	561,803	201,951
Depreciation	<u>207,801</u>	<u>54,857</u>	<u>5,539</u>	<u>73,163</u>	<u>-0-</u>
<b>TOTAL EXPENSES</b>	<u>\$ 12,160,913</u>	<u>\$ 1,542,327</u>	<u>\$ 4,238,325</u>	<u>\$ 634,966</u>	<u>\$ 201,951</u>

	<u>Supporting Services</u>	
<u>Total Program Services</u>	<u>Management and General</u>	<u>Total</u>
\$ 11,980,487	\$ 1,867,115	\$ 13,847,602
179,366	1,022,233	1,201,599
91,242	29,211	120,453
59,141	92,553	151,694
604,634	3,211	607,845
686,043	31,975	718,018
202,772	1,009	203,781
115,938	2,584	118,522
4,086,264	95,630	4,181,894
4,051	159,394	163,445
13,861	204,959	218,820
382,939	134,777	517,716
<u>30,384</u>	<u>95,332</u>	<u>125,716</u>
18,437,122	3,739,983	22,177,105
<u>341,360</u>	<u>52,740</u>	<u>394,100</u>
\$ <u>18,778,482</u>	\$ <u>3,792,723</u>	\$ <u>22,571,205</u>

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

# Ware & Hall, PLLC

Certified Public Accountants

The River Tower, Suite 501, 1108 3<sup>rd</sup> Avenue  
Post Office Box 819, Huntington, West Virginia 25712-0819  
Telephone: (304) 525-7202 Fax: (304) 525-7282

Daniel J. Ware, CPA  
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## **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, 2016, 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 January 19, 2017.

### 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.

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.

Our consideration of the 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2016-001 through 2016-002 that we consider to be material weaknesses.

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  
January 19, 2017

DHHR - Finance

JAN 31 2017

Date Received

# Ware & Hall, PLLC

Certified Public Accountants

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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 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, 2016.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Ware & Staff PLLC*

Huntington, West Virginia  
January 19, 2017

DHHR - Finance

JAN 31 2017

Date Received

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**



Summary Schedule of Prior Audit Findings

January 12, 2017

Ware & Hall, PLLC  
PO Box 819  
Huntington WV 25712-0819

Mr. Hall:

In response to the Fiscal Year 2015 audit findings, Community Care of West Virginia, Inc. submits the following corrective actions:

*2015-001 Reconciliation of Accounting Records to Supporting Information*

**Current Status:** During Fiscal Year 2016, Community Care of West Virginia, Inc. (CCWV) took great strides to remedy this prior year audit finding. Although CCWV acknowledges there were some recurrent findings in this fiscal year, the enhanced processes put into place have assisted in correcting the errors. Many of these errors occurred early in Fiscal Year 2016, prior to implementation of the enhanced procedures and increased staff training.

**Corrective Action Plan:** Community Care of West Virginia, Inc. (CCWV) has developed enhanced procedures to ensure that reconciliations are performed on all accounts and subsidiary balances agree to the general ledger. With the hiring of an additional accounting position and with internal restructuring of accounting staff job duties, CCWV is now better positioned to have the ability to perform the reconciliation of the accounting records to supporting information in a timely manner. A closing date has been implemented in the accounting software to ensure that no entries can be erroneously posted for periods in the prior fiscal year. In addition, CCWV has contracted with an outside accounting firm to perform reviews of the reconciliations to the general ledger on a monthly basis. Contact Person Responsible: Connie Johnston, CFO Date of Completion: January 9, 2017

*2015-002 Accounts Payable Cutoff*

**Current Status:** During Fiscal Year 2016, Community Care of West Virginia, Inc. (CCWV) took great strides to remedy this prior year audit finding. Although CCWV acknowledges there were some recurrent findings in this fiscal year, the enhanced processes put into place have assisted in correcting the errors. Many of these errors occurred early in Fiscal Year 2016, prior to implementation of the enhanced procedures and increased staff training.

**Corrective Action Plan:** Review procedures have been enhanced to insure all accounts payable invoices are properly recorded. Invoices are reviewed by the staff accountant prior to being entered into the accounting software by the accounts payable clerk. This review includes assessing the invoice for proper accrual recordation prior to entry. In addition, CCWV accounts payable employees will receive additional training and oversight regarding the accrual basis of accounting. CCWV's accounting system will be held

open each month and all invoices received will be reviewed and recorded in the appropriate period. Additionally, the accounts payable will be held open for 30 days at year end to ensure that all items have been properly recorded. Contact Person Responsible: Connie Johnston, CFO Date of Completion: January 9, 2017

*2015-003 Bank Reconciliations*

Current Status: Corrective action was taken in fiscal year ended June 30, 2016.

*2015-004 Segregation of Duties*

Current Status: Corrective action was taken in fiscal year ended June 30, 2016.

*2015-005 Posting of Pharmacy Receipts to the Accounts Receivable Subsidiary Ledger*

Current Status: Corrective action was taken in fiscal year ended June 30, 2016.

Sincerely,

  
Rick Simon, CEO

DHHR - Finance

JAN 31 2017

Date Received

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**COMMUNITY CARE OF WEST VIRGINIA, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2016**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**FINANCIAL STATEMENTS**

Type of Auditor's Report Issued - Unmodified

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 - Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2CFR section 200.516(a) of the Uniform Guidance	<u>    </u> Yes	<u>✓</u> No
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Identification of Major Programs:

<b>U.S. Department of Health and Human Services</b>	<b><u>CFDA #</u></b>
Health Centers Cluster:	
Consolidated Health Centers	93.224
ACA - Grants for New and Expanded Services Under the Health Center Program	93.527

Dollar threshold used to distinguish between Type A and Type B programs:	\$ <u>750,000</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, 2016**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**2016 - 001 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, prepaid expenses, property and equipment and the related depreciation expense, accrued expenses, revenues and expenses.

**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 fully 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.

This finding was also noted in the prior year audit as finding number 2015-001.

**Views of responsible officials and planned corrective action:** The Organization agrees with the finding and will strengthen review procedures. See current year corrective action plan.

**2016 - 002 Accounts Payable Cut-off**

**Condition:** We noted errors in the June 30, 2016 accounts payable cut-off. Year end accounts payable erroneously included \$9,993 of expenses that related to the fiscal year ending June 30, 2017. We also discovered \$275,598 of unrecorded accounts payable at June 30, 2016.

**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 fully implemented to ensure proper cut-off for recording the Organization's accounts payable.

**COMMUNITY CARE OF WEST VIRGINIA, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2016**

**SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**2016 - 002 Accounts Payable Cut-off (continued)**

Effect: Accounts payable were understated by \$265,605 in the Organization's June 30, 2016 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.

This finding was also noted in the prior year audit as finding number 2015-002.

Views of responsible officials and planned corrective action: The Organization agrees with the finding and will strengthen review procedures. See current year corrective action plan.

**SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

None



**CORRECTIVE ACTION PLAN**



Corrective Action Plan

January 12, 2017

Ware & Hall, PLLC  
PO Box 819  
Huntington WV 25712-0819

Mr. Hall:

In response to the Fiscal Year 2016 audit findings, Community Care of West Virginia, Inc. submits the following corrective actions:

*2016-001 Reconciliation of Accounting Records to Supporting Information*

Corrective Action Plan: Community Care of West Virginia, Inc. (CCWV) has developed enhanced procedures to ensure that reconciliations are performed on all accounts and subsidiary balances agree to the general ledger. With the hiring of an additional accounting position and with internal restructuring of accounting staff job duties, CCWV is now better positioned to have the ability to perform the reconciliation of the accounting records to supporting information in a timely manner. A closing date has been implemented in the accounting software to ensure that no entries can be erroneously posted for periods in the prior fiscal year. In addition, CCWV has contracted with an outside accounting firm to perform reviews of the reconciliations to the general ledger on a monthly basis. Contact Person Responsible: Connie Johnston, CFO Date of Completion: January 9, 2017

*2016-002 Accounts Payable Cutoff*

Corrective Action Plan: Review procedures have been enhanced to insure all accounts payable invoices are properly recorded. Invoices are reviewed by the staff accountant prior to being entered into the accounting software by the accounts payable clerk. This review includes assessing the invoice for proper accrual recordation prior to entry. In addition, CCWV accounts payable employees will receive additional training and oversight regarding the accrual basis of accounting. CCWV's accounting system will be held open each month and all invoices received will be reviewed and recorded in the appropriate period. Additionally, the accounts payable will be held open for 30 days at year end to ensure that all items have been properly recorded. Contact Person Responsible: Connie Johnston, CFO Date of Completion: January 9, 2017

Sincerely,

  
Rick Simon, CEO

DHHR - Finance

JAN 31 2017

Date Received