LOGAN-MINGO AREA
MENTAL HEALTH, INC.

Audited Financial Statements

June 30, 2017 and 2016

LOGAN-MINGO AREA MENTAL HEALTH

Audited Financial Statements
June 30, 2017 and 2016

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GRAY GRIFFITH & MAYS a.c.
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Logan-Mingo Area Mental Health, Inc. (the Center) which comprise the statements financial position as of June 30, 2017, and 2016, 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.

Auditors' 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 auditors' 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 the Center as of June 30, 2017, and 2016, 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

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of BHHF Funded Fixed Assets and BHHF Funding Status/State Awards are presented for purposes of additional analysis as required by the West Virginia Department of Health and Human Resources, Bureau for Behavioral Health and Health Facilities (BHHF), and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2018, on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

Gray, Griffith & Mays, A.C.

Charleston, West Virginia
February 16, 2018

Logan-Mingo Area Mental Health, Inc.

STATEMENTS OF FINANCIAL POSITION
June 30, 2017 and 2016

ASSETS

	2017	2016
Current assets:		
Cash and cash equivalents	$ 287,672	$ 97,821
Accounts receivable, net	286,455	288,402
Grants receivable	378,296	142,508
Prepaids and other	1,200	41,424
Total current assets	953,623	570,155
Certificates of deposit	542,915	540,577
Property and equipment, less accumulated depreciation	952,010	905,143
Total assets	2,448,548	2,015,875

LIABILITIES AND NET ASSETS

	2017	2016
Current liabilities:		
Accounts payable	107,964	297,898
Accrued and withheld liabilities	244,409	227,021
Accrued annual leave	57,536	65,480
Line of credit	132,839	143,000
Obligation under capital lease	10,565	10,051
Total current liabilities	553,313	743,450
Obligation under capital lease	70,931	81,496
Total liabilities	624,244	824,946
Unrestricted net assets	1,824,304	1,190,929
Total liabilities and net assets	$ 2,448,548	$ 2,015,875

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

Logan-Mingo Area Mental Health, Inc.

STATEMENTS OF ACTIVITIES
Years Ended June 30, 2017 and 2016

	2017	2016
Operating revenues:		
Net patient revenue	$ 3,644,741	$ 2,691,669
Less: provision for bad debt	(21,261)	(32,104)
	3,623,480	2,659,565
State and federal grant	1,903,609	1,490,451
Local and county grant	11,602	-
Other operating income	411,099	485,787
Total revenues	5,949,790	4,635,803
Expenses and losses:		
Salaries and wages	3,305,294	3,168,399
Employee benefits and taxes	686,053	936,419
Contracted services	146,475	125,599
Facility	125,713	112,159
Repairs and maintenance	67,543	4,784
Travel	104,039	80,514
Provider tax	-	57,994
Depreciation	150,552	122,471
Food and drug	58,511	40,148
Miscellaneous	2,824	2,542
Office supplies	105,795	69,327
Telephone	38,294	34,400
Printing and postage	36,257	33,024
Professional fees	33,835	29,636
Subscriptions and books	15,092	16,590
Insurance	47,831	38,304
Accounting	117,730	117,397
Software	1,315	3,552
Pass through grant expense	213,263	166,058
Rent	56,064	113,998
Interest expense	6,376	5,591
Total expenses	5,318,856	5,278,906
Excess (deficiency) of revenues over expenses	630,934	(643,103)
Nonoperating revenues:		
Interest	2,441	2,404
Change in net assets	633,375	(640,699)
Net assets, beginning of year	1,190,929	1,831,628
Net assets, end of year	$ 1,824,304	$ 1,190,929

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

Logan-Mingo Area Mental Health, Inc.

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	$ 633,375	$ (640,699)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Provision for bad debts	21,261	32,104
Depreciation	150,552	122,471
Changes in operating assets and liabiities:		
(Increase) decrease in:		
Accounts receivable	(19,314)	(12,398)
Grants receivable	(235,788)	710,568
Prepaids and other	40,224	(41,424)
Increase (decrease) in:		
Accounts payable	(189,934)	66,832
Accrued and withheld liabilities	17,388	(25,204)
Accrued annual leave	(7,944)	(117,327)
Net cash provided by operating activities	409,820	94,923
Cash flows from investing activities:		
Purchases of property and equipment	(197,419)	(125,484)
Purchases of certificates of deposit	(2,338)	(2,333)
Net cash used in investing activities	(199,757)	(127,817)
Cash flows from financing activities:		
Principal payments on capital lease obligations	(10,051)	(9,562)
Net (payments) borrowings on line of credit	(10,161)	30,000
Net cash (used in) provided by financing activities	(20,212)	20,438
Net increase (decrease) in cash and cash equivalents	189,851	(12,456)
Cash and cash equivalents, beginning of year	97,821	110,277
Cash and cash equivalents, end of year	$ 287,672	$ 97,821
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Donated vehicle	$ -	$ 55,980
Cash used for interest payments	$ 6,376	$ 5,591

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

1 – DESCRIPTION OF ORGANIZATION

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

2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Cash and Cash Equivalents

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

Net Client Revenues

The Center has agreements with third-party payors that provide for payments to the Center at amounts different from its established rates. Net client revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated contractual adjustments under reimbursement agreements with third party payors. Amounts received from Medicare and Medicaid programs are generally less than the established billing rates and the difference is reported as contractual adjustments and deducted from gross revenue. The Center has various contractual agreements which determine the amount to be received. The allowance for doubtful accounts is based on management's experience, analysis of the age of individual accounts, and likelihood of collection. An allowance for doubtful accounts of $20,000 was recorded at June 30, 2017, and $20,000 was recorded at June 30, 2016. Interest is not charged on past due balances.

Property and Equipment

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

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

Income Taxes

The Center is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. Management believes that it is no longer subject to income tax examinations for years prior to 2014.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Deficiency of Revenues over Expenses

The Statement of Activities includes deficiency of revenues over expenses and changes in net assets for the year ending June 30, 2016. The deficiency of revenues over expense include revenue and expenses considered to be associated with the operations of the Center. Changes in net assets include non-operating income which are excluded from the deficiency of revenue over expenses consistent with industry practice.

Reclassifications

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations.

New Accounting Pronouncements

On February 25, 2016, the Financial Accounting Standards Board (FASB) issued Leases (Topic: 842): Leases (ASU 2016-02). The objective of ASU 2016-02 is to increase the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing agreements. The effective date for this pronouncement is for fiscal years beginning after December 15, 2019. Early adoption of this pronouncement is permitted. Management is currently evaluating the impact this pronouncement will have on the Center's financial statements and has elected not to early implement this pronouncement at this time.

On August 18, 2016 the Financial Accounting Standards Board (FASB) issued Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14). The objective of ASU 2016-14 is to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entities liquidity, financial performance, and cash flows. The effective date for this pronouncement is for fiscal years beginning after December 15, 2017. Early adoption of this pronouncement is permitted. Management is currently evaluating the impact this pronouncement will have on the Center's financial statements and has elected not to ear ly implement this pronouncement at this time.

Subsequent Events

The Center's management has evaluated events and transactions occurring after June 30, 2017, through the date of the Independent Auditors' Report, which is the date the financial statements were available to be issued. No subsequent events were noted except as discussed in Note 5.

2 – FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quotes prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three observable levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quotes prices for identical assets or liabilities in active markets that the entity has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted market prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the assets or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any output that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies at June 30, 2017 and 2016.

Certificates of deposit: Valued at amortized cost, which approximates fair value.

The following table sets forth by level, within the fair value hierarchy, the Center's assets at fair value as of June 30, 2017 and 2016:

	2017		
	Level I	Level II	Total
Investments measured at fair value:			
Certificates of deposit	$ -	$ 542,915	$ 542,915

	2016		
	Level I	Level II	Total
Investments measured at fair value:			
Certificates of deposit	$ -	$ 540,577	$ 540,577

3 – PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2017 and 2016 is as follows:

	2017	2016
Land	$ 169,347	$ 169,347
Buildings and improvements	2,486,126	2,486,126
Vehicles	518,669	456,035
Equipment	697,262	674,167
Furniture	77,900	73,662
Leasehold improvements	90,200	82,576
Construction in progress - CSU equipment	59,957	-
Construction in progress - CSU	39,871	-
	4,139,332	3,941,913
Less accumulated depreciation	(3,187,322)	(3,036,770)
	$ 952,010	$ 905,143

Property and equipment includes certain buildings and land provided to the Center by the State of West Virginia under long-term leases which require annual payments of $1 for terms of ninety-nine years expiring in 2076. The cost of such buildings was $1,915,785 while accumulated depreciation related to these buildings was $1,805,787 and $1,757,893 at June 30, 2017 and 2016, respectively. Land provided to the Center by the State amounted to $143,633 as of June 30, 2017 and 2016.

The cost of property and equipment purchased with Bureau of Behavioral Health and Health Facilities grant funds was $495,893 and $433,260, respectively, at June 30, 2017 and 2016, and related accumulated depreciation was $184,539 and $139,421, respectively, at June 30, 2017 and 2016.

Continued use of these facilities and equipment is contingent upon the Center continuing to provide behavioral healthcare services. Management believes that it is highly unlikely the Center would discontinue providing these services. Accordingly, the value of the facilities and equipment has been reported as an increase in unrestricted net assets and has been capitalized and depreciated.

4 – LINE OF CREDIT

The Center has $150,000 available under a line of credit with a bank with $132,839 and $143,000 outstanding as of June 30, 2017 and 2016, respectively. The line of credit is renewable annually and bears interest at 3.75% and is secured by a certificate of deposit.

5 – LEASES AND SUBSEQUENT EVENT

The Center leases a building and land under a long-term capital lease obligation which expires January 2024. The capital lease is payable in monthly installments of $1,200 for 110 moths including an implicit rate of 5%. Building and land under capital lease include the following:

	2017	2016
Land	$ 25,714	$ 25,714
Building	80,000	80,000
	105,714	105,714
Less: accumulated amortization	(4,000)	(2,000)
	$ 101,714	$ 103,714

Future minimum lease payments under capital leases are as follows:

2018	14,400
2019	14,400
2020	14,400
2021	14,400
Thereafter	38,400
Future minimum lease payments	96,000
Less: Amount representing interest	(14,504)
Present value of future minimum lease payments	$ 81,496

Subsequent to year end, the Center entered into a lease agreement for administrative space, which expires July 30, 2022. The lease is payable in monthly installments of $6,393 for 60 months.

Logan-Mingo Area Mental Health, Inc.

NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

6 – THIRD-PARTY TRANSACTIONS AND ECONOMIC DEPENDENCY

The Center has agreements with Medicaid, Medicare, and other third-party payors that provide for payments to the Center at predetermined amounts that differ from its standard rates. The ability of the Center to receive future payments from Medicaid depends on legislation enacted and resources available to the State of West Virginia. Revenues recognized from patient services less contractual adjustments during the year ended June 30, 2017, are as follows:

	2017	2016
Net patient revenue:		
Medicaid	3,852,586	3,020,480
Medicare	126,031	109,297
Private pay	143,263	139,353
Insurance and other	963,574	892,988
	5,085,454	4,162,118
Less contractual adjustments	(1,440,713)	(1,470,449)
	$ 3,644,741	$ 2,691,669

7 – CONCENTRATIONS

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

8 – FUNCTIONAL EXPENSES

The Center provides behavioral healthcare services, including substance abuse services in Logan and Mingo Counties in West Virginia. Expenses related to providing these services for the years ended June 30, 2017 and 2016, are as follows:

	2017	2016
Health care services	$ 3,775,461	$ 3,746,241
General and administrative	1,543,395	1,532,665
	$ 5,318,856	$ 5,278,906

9 – CONTINGENCIES

The Center is subject to litigation in the normal course of business involving claims from individuals who seek both compensatory and punitive damages from the Center. Outside counsel for the entity has advised that at this stage in the proceedings, an opinion cannot be offered as to the probable outcome. The entity believes all claims are without merit and is vigorously defending its position. In addition, incidents occurring through June 30, 2017 may result in the assertion of a claim. Management believes that these claims would be settled within the limits of insurance coverage.

10 – RISK MANAGEMENT

The Center maintains claims-made coverage for professional liability. Incidents occurring through June 30, 2017 may result in the assertion of claims. Other claims may be asserted arising from past services provided. Management believes that these claims, if asserted, would be settled within the limits of insurance coverage.

SUPPLEMENTARY INFORMATION

LOGAN-MINGO AREA MENTAL HEALTH, INC.

SCHEDULE OF BHHF FUNDED FIXED ASSETS
June 30, 2017

Description	Date Acquired	Cost	Program
Breathalyzers	08/19/98	$ 1,040	Substance Abuse
Desk	06/30/99	1,227	Substance Abuse
Passport Paging System	06/30/99	500	Substance Abuse
True Colors Training Kit	06/30/99	712	Substance Abuse
Desk	08/01/99	435	Substance Abuse
Computer Station	08/01/99	320	Substance Abuse
National Desk Station	09/27/99	1,115	Substance Abuse
Vinyl Chairs	04/17/00	344	Substance Abuse
Rectangular Table	06/23/00	360	Substance Abuse
Compac Laptop	09/08/00	1,160	Substance Abuse
Hewlett Packard Pavillion PC	11/01/00	998	Substance Abuse
Hewlett Packard PCs	12/06/00	3,192	Substance Abuse
Hewlett Packard PCs	01/09/01	1,396	Substance Abuse
Hewlett Packard PCs	01/09/01	798	Substance Abuse
PowerHouse Shredder	03/13/01	600	Substance Abuse
Pavillion Computer	07/16/01	898	Substance Abuse
Pavillion Computer	08/30/01	2,694	Substance Abuse
Hewlett Packard Computers	06/18/02	2,672	Substance Abuse
Compac Presario Computer	10/31/02	769	Substance Abuse
HP Computer	10/09/03	528	Substance Abuse
PC Tower & Hardware	10/16/03	887	Substance Abuse
Office Charis/FUTURES	04/14/04	750	Substance Abuse
Dishwasher/FUTURES	04/22/04	3,815	Substance Abuse
Dorm Beds/FUTURES	05/20/04	1,378	Substance Abuse
Table & Benches/FUTURES	05/21/04	1,358	Substance Abuse
Powerpoint Projector	05/28/04	899	Substance Abuse
Chairs/FUTURES	06/02/04	996	Substance Abuse
Sofa/FUTURES	06/02/04	489	Substance Abuse
Dressers/FUTURES	06/02/04	1,620	Substance Abuse
Desk/FUTURES	06/02/04	1,261	Substance Abuse
Desk/FUTURES	06/02/04	1,218	Substance Abuse
Office Charis/FUTURES	06/02/04	636	Substance Abuse
Tables/FUTURES	06/02/04	575	Substance Abuse
Chairs/FUTURES	06/02/04	2,752	Substance Abuse
Dell Laptop	06/03/04	1,913	Substance Abuse
Chairs/FUTURES	06/08/04	792	Substance Abuse
Compac Presario	06/21/04	740	Substance Abuse
Compac Presario	06/21/04	740	Substance Abuse
Compac Presario/FUTURES	06/21/04	740	Substance Abuse

LOGAN-MINGO AREA MENTAL HEALTH, INC.

SCHEDULE OF BHHF FUNDED FIXED ASSETS
June 30, 2017

Description	Date Acquired	Cost	Program
Compac Presario/FUTURES	06/21/04	740	Substance Abuse
Cabinets/FUTURES	06/22/04	412	Substance Abuse
Mouthpiece Sensors	06/23/04	2,523	Substance Abuse
Mattresses for FUTURES	06/23/04	893	Substance Abuse
TV/VCR/Intercom/FUTURES	07/09/04	2,526	Substance Abuse
Exercise Equipment/FUTURES	07/27/04	705	Substance Abuse
ASI Program/FUTURES	08/23/04	550	Substance Abuse
Computer/FUTURES	08/25/04	498	Substance Abuse
LCD Monitor	02/09/05	400	Substance Abuse
Pool Table/FUTURES	02/09/05	475	Substance Abuse
Desktop Computer	03/07/05	343	Substance Abuse
Compressor	04/25/05	1,098	Substance Abuse
13' Floor Buffer/FUTURES	04/29/05	765	Substance Abuse
Desk Chairs/FUTURES	05/12/05	558	Substance Abuse
Cooling Tower	09/30/09	42,895	Substance Abuse
Sewage Treatment Plant	10/31/09	118,021	Substance Abuse
HVAC - Chattaroy	04/30/10	62,683	Substance Abuse
Vulcan Range (Modern Equipment)	04/29/15	6,412	Substance Abuse
Dishwasher (Modern Equipment)	06/30/15	6,890	Substance Abuse
Improvements/LANDO	03/01/16	82,576	Substance Abuse
Van	05/03/16	55,980	Substance Abuse
Van	08/10/16	52,590	Substance Abuse
Conversion Van	06/30/17	10,043	Substance Abuse
		$ 495,893	

See independent auditors' report on accompanying financial information.

LOGAN-MINGO AREA MENTAL HEALTH, INC.

SCHEDULE OF BHHF FUNDING STATUS/STATE AWARDS
Year Ended June 30, 2017

Grant series	State Account Number	Current Year Award Amount	Award Extended From Prior Year	Refundable Advances June 30, 2016	Amount Earned and Billed	Refundable Advances June 30, 2017	Amount Not Billed	Amount Collected
G170221	2017-0525-0506-2851-21900-3256-0000	$ 22,919	$ -	$ -	$ 19,837	$ -	$ 3,082	$ -
G170221	2017-0525-0506-2851-21900-3256-0000-13144	212,025	-	-	207,116	-	4,909	182,506
G170221	2017-0525-0506-2916-21900-3256-0000	54,924	-	-	19,843	-	35,081	-
G170221	2017-0525-0506-2851-21900-3256-0000	268,792	-	-	102,163	-	166,629	18,906
G170221	2017-0525-0506-2851-21900-3256-0000-13144	468,067	-	-	467,209	-	858	420,615
	Total for Grant G170221	1,026,727	-	-	816,168	-	210,559	622,027
G170244	2016-0525-0506-2916-21900-3256-0000-13140	60,000	-	-	59,879	-	121	47,403
G170266	2015-0525-0506-3043-21900-3256-0000	84,000	-	-	55,012	-	28,988	41,261
G170555	2015-0525-0506-3081-35400-3256-0000-13131	50,000	9,438	-	48,735	-	10,703	37,460
G170599	2017-0525-0506-2891-21900-3256-0000-13142	85,000	38,302	-	101,857	-	21,445	94,897
	2017-0525-0506-2891-21900-3256-0000-13688	127,750	-	-	71,829	-	55,921	63,849
	2016-0525-0506-2891-21900-3256-0000-13142	258,855	151,291	-	277,083	-	133,063	234,606
	2016-0525-0506-2891-21900-3256-0000-13142	16,317	-	-	16,317	-	-	16,317
	2016-0525-0506-2891-21900-3256-0000-13688	45,150	-	-	19,092	-	26,058	15,085
	2017-0525-0506-2891-21900-3256-0000-13688	76,650	-	-	45,955	-	30,695	40,373
	2017-8793-0506-2891-13000-3285-0000-13141-SAPT_F_SR-EY2016	332,813	-	-	330,523	-	2,290	306,416
	2018-8793-0506-2891-13000-3285-0000-13141-SAPT_F_SR-EY2016	110,938	-	-	-	-	110,938	-
		1,053,473	189,593	-	862,656	-	380,410	771,543
		$ 2,274,200	$ 199,031	$ -	$ 1,842,450	$ -	$ 630,781	$ 1,519,694

See independent auditors' report on accompanying financial information.

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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
Logan-Mingo Area Mental Health, Inc.
Logan, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Logan-Mingo Area Mental Health, Inc. (the Center), which comprise the statement of financial position, as of June 30, 2017, and 2016, and the related statement of activities, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated February 16, 2018.

Internal Control over Financial Reporting

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

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

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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2017-001 and 2017-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

The Center's Response to Findings

The Center's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Center's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Gray, Griffith & Mays, a.c.

Charleston, West Virginia
February 16, 2018

LOGAN-MINGO AREA MENTAL HEALTH, INC.

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2017

2017-001 Financial Reporting

Condition:

During the year, the Center implemented a number of controls and policies affecting financial reporting. These processes and controls, including supervisory review and approval, account reconciliations and analyses, were implemented to ensure the preparation of complete and accurate financial statements. As of June 30, 2017, some of the controls were not effective. The Center incorrectly classified current period transactions against opening balances of unrestricted net assets, which did not completely and accurately reflect the financial condition of the Center.

Criteria:

Management is responsible for 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.

Effect:

The financial statements required approximately $100,000 of adjustments to correct opening net asset balances at June 30, 2017. Without complete and accurate financial statements management and the Board of Directors are unable to accurately analyze the Center's operations in a timely manner.

Cause:

Sufficient controls were either not designed properly or were not operating effectively to ensure the preparation and fair presentation of financial statements in accordance with generally accepted accounting principl es throughout the year.

Recommendation:

The Center has hired a contract accountant to assist with, completing year end closing, audit preparation, and training of staff. We recommend the Center continue contracting with an accountant to provide suitable skills, knowledge, and experience and assist the existing staff ensuring supervisory, review and approval, as well as account reconciliations and analyses are being performed on a regular basis.

Management's Response

The only incorrect current period transaction charged against opening equity balance of retained earnings was one transaction of $24,098 representing state unemployment expected credits that the State decided in FY2017 to disallow permanently.

The second charge of $82,576 to an opening equity account and a corresponding offsetting asset account was automatically created by QuickBooks software in response to an option being selected when creating a new leasehold improvement. Prior fixed assets were built without that option being selected. This was brought to the attention of the Auditors in March 2017 with request for their knowledge and assistance in reversing. The contract accountant sought the assistance of QB support and was able to reverse, but after the end of Fiscal Year 2017.

Both above transactions were completed by the contract accountant, with knowledge of the Director of Finance.

It is the Center's opinion that the two instances due represent over $100,000 but were not initiated by the staff. Internal controls, review, approval, account reconciliations, and analyses are being performed on a regular basis and were in place and sufficient to ensure full knowledge of these entries at the time of occurrence. Any such entries by staff would have been discovered by the time financial reports were prepared for the CEO and Board.

2017-002 Evaluation of Collectability of Patient Accounts Receivable

Condition:

The Center did not perform an analysis of contractual allowances and or uncollectible accounts receivable as of the year ending June 30, 2017.

In addition, while management reviews aging reports from the billing software periodically for outstanding balances, the Center does not have a formal policy for determining uncollectible patient accounts receivable.

Criteria:

Accounts receivable from the patient billing system should be recorded net of contractual allowances and include an allowance for doubtful accounts if deemed necessary. Individual accounts should be evaluated for collectability to ensure the valuation of accounts receivable is accurate and bad debts are recognized in the proper period.

Effect:

Patient service revenues, accounts receivable, contractual adjustments and bad debt expense may not be recognized in the proper period, and accounts receivable could be misstated.

Cause:

Lack of internal control regarding review procedures over patient revenues, contractual allowances and bad debts. The Center has not developed formal policies or procedures to estimate contractual allowances or bad debts at the time of billing.

Recommendation:

A formal revenue cycle policy should be developed to document the policies and procedures for determining collectability of patient accounts and proper reporting and reconciling of patient service revenue and receivables. This policy should outline the period process of analyzing and adjusting contractual adjustments/contractual allowances and uncollectible accounts receivable balances in a timely manner.

Management's Response:

The Center recognizes the vital importance of adhering to established and documented policy in the accounting manual and end of period closing. The Director of Finance intends to write a formal policy documenting the established review of and procedures for collection of accounts receivable.

The Center considered the contractual allowance of $204,049 relevant and thus did not adjust the estimate at year end. Actual contractual adjustments are recognized in the program and gross revenue reduced by the outstanding contractual adjustments to reflect net revenue in the financial statements provided to the CEO and Board

The Center reconciles the billing software and the accounting software at the end of every month and at fiscal year end. We believe the collection process to be very effective. The Director of Finance and staff do currently review and evaluate collectability and do currently document those collection efforts in the billing software.

The Center believes this collection activity is reflected in the low percentage of outstanding balance in the billing software: FY2014 - FY2016 have bad debt ratios of 1.1%, ½%, and 1.1% respectively. FY2017 had bad debt of 1.7%, but that was an anomaly due to funding being reduced retroactively in charity care by the grantor. But $46,125.73 of additional funding was received from the grantor in FY2018 for these receivables. The collection rate of 99.1% for FY2017 is reflective of the tremendous effort the Center's staff devote to accounts receivable collection efforts.

The recommendations of the Auditor to record to record monthly entries for patient service revenue, contractual adjustments, with bad debt has been in place since November 2015.

The Center agrees a formal policy documenting the review and collection of accounts receivable outstanding balance should be developed.

STATE OF WEST VIRGINIA
DEPARTMENT OF HEALTH AND HUMAN RESOURCES

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Cabinet Secretary

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Melissa L. Northup
Director

MEMORANDUM

TO: Christina Mullins, Director
Office of Maternal, Child, and Family Health

FROM: Carolyn Brown, Division of Cost Allocation
Office of Internal Control and Policy Development

DATE: July 5, 2018

RE: **Indirect Cost - June 2018**

The following calculations for indirect costs are applicable for the grant and the grant period indicated below.

Mjr Pgm **FAPL**

Mjr Pgm Name **FAMILY PLANNING**
Pgm Period **EY2017**

Unit	Salaries Paid	Fiscal Year	Rate	Allowable
3010	81,796.69	SFY 2017	45.45%	37,176.60
3010	375,585.16	SFY 2018	48.15%	180,844.25
Total Salaries	**81,796.69**		**Total IC Allowable**	**218,020.85**
			IC Charged to Date	205,683.47
			(Over) or Under Charge	**12,337.38**

**Any differences are due to rounding*

An adjusting entry will be processed in accordance with the above calculations to post the (over) or under charge of indirect costs.

wvOASIS Coding:	From/To			OASIS Doc ID
5108-2018-2772-09900-3283	F	*	12,337.38	
8802-2018-3010-13000-3283 FAPL_F_IN EY2017	T		12,337.38	HH0118000849

cc: Grant Administration & Reporting