MONONGAHELA VALLEY ASSOCIATION OF HEALTH CENTERS, INC.

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INDEPENDENT AUDITOR'S REPORT AND RELATED FINANCIAL STATEMENTS

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JANUARY 31, 2018 AND 2017

INDEX

MONONGAHELA VALLEY ASSOCIATION OF HEALTH CENTERS, INC.
BOARD OF DIRECTORS
AS OF JANUARY 31, 2018

Office	Name
Chairperson:	Rev. O. Richard Bowyer
Vice-Chairperson:	Ms. Patty Turner
Secretary:	Mr. Donald Luketic
Treasurer:	Ms. Wanda Clayton
Members:	Mr. Gary Jack
	Mr. Thomas Dragich
	Ms. Velma J. Efaw
	Mr. Cliff Jackson
	Ms. Dana Powell
	Mr. Roderick Jones
	Mr. Phillip Koloff
	Mr. Fred Moore
	Ms. Georgia Ponton
	Dr. Michael Schroering

TB &
Tetrick & Bartlett, PLLC
Certified Public Accountants
Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Monongahela Valley Association of
Health Centers, Inc.
Fairmont, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of Monongahela Valley Association of Health Centers, Inc. (a nonprofit organization), which comprise the balance sheets as of January 31, 2018 and 2017, and the related statements of operations, changes in net assets, 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 of material misstatement.

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1517 Mary Lou Retton • Fairmont, WV 26554 • (304) 366-2992 • Fax: (304) 366-2370

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 Monongahela Valley Association of Health Centers, Inc. as of January 31, 2018 and 2017, 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 accompanying schedule of state grant receipts and expenditures is presented for purposes of additional analysis and is also not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is 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 June 6, 2018, on our consideration of Monongahela Valley Association of Health Centers, 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 solely 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 the effectiveness of Monongahela Valley Association of Health Centers, Inc.'s 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 Monongahela Valley Association of Health Centers, Inc.'s internal control over financial reporting and compliance.

Tetrick & Bartlett, PLLC

Fairmont, West Virginia
June 6, 2018

DHHR - Finance

JUL 2 2018

Date Received

MONONGAHELA VALLEY ASSOCIATION OF HEALTH CENTERS, INC.
BALANCE SHEETS
JANUARY 31,

	2018	2017
ASSETS		
Current Assets		
Cash	$ 476,430	$ 121,635
Assets whose use is limited and are required for current liabilities	580,421	655,971
Patient accounts receivable (net)	669,871	1,180,126
Contract pharmacy receivable	99,228	-
Accounts receivable other	43,126	18,572
Inventories	18,282	49,026
Prepaid expenses	121,031	91,926
Total current assets	2,008,389	2,117,256
Noncurrent Assets		
Assets whose use is limited, net of current portion	5,560,422	4,357,982
Land, buildings and equipment (net)	6,123,321	6,479,138
Goodwill	175,000	175,000
Total noncurrent assets	11,858,743	11,012,120
TOTAL ASSETS	$ 13,867,132	$ 13,129,376

LIABILITIES AND NET ASSETS

	2018	2017
Current Liabilities		
Current portion of post employment benefit	$ 8,474	$ 8,102
Current portion of supplemental retirement benefits	-	37,325
Current portion of notes payable	90,881	86,918
Current portion of capital leases	37,580	57,895
Accounts payable - trade	249,546	173,354
Accrued payroll and vacation	670,572	671,993
Accrued taxes	21,487	18,595
Accrued other	5,623	4,078
Deferred revenue	36,269	19,366
Total current liabilities	1,120,432	1,077,626
Other Liabilities		
Post employment benefit, net of current portion	35,654	44,313
Supplemental retirement benefits, net of current portion	-	-
Notes payable, net of current portion	755,475	845,980
Capital leases, net of current portion	-	37,580
Excess pension obligations	912,359	1,220,056
Total other liabilities	1,703,488	2,147,929
Total liabilities	2,823,920	3,225,555
Net Assets		
Unrestricted	11,043,212	9,903,821
TOTAL LIABILITIES AND NET ASSETS	$ 13,867,132	$ 13,129,376

See accompanying notes and independent auditor's report.

MONONGAHELA VALLEY ASSOCIATION OF HEALTH CENTERS, INC.
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED JANUARY 31,

	2018	2017
Changes in Unrestricted Net Assets:		
Unrestricted revenues and support		
Patient service revenues (net of contractual allowances and discounts)	$ 6,043,537	$ 6,748,798
Provision for bad debts	(234,558)	(285,807)
Net patient service revenues	5,808,979	6,462,991
Community Health Center Grant	2,223,149	2,068,302
Grants - other	213,085	335,926
Contract pharmacy income	745,805	-
EHR incentive payments	12,750	8,875
Other income	135,885	80,608
Total unrestricted revenues and support	9,139,653	8,956,702
Expenses		
Payroll and fringe benefits	5,493,855	5,977,531
Net periodic pension cost	148,136	211,744
Travel	51,348	45,906
Pharmacy cost - drugs and supplies	265,767	252,640
Optical	91,246	94,199
Other supplies	655,328	607,264
Rental expense	28,881	29,741
Utilities	129,806	130,521
Telephone	73,219	71,144
Depreciation and amortization	416,267	421,033
Repairs and maintenance	232,702	238,713
Contract services	547,464	430,268
Legal and accounting	175,995	221,529
Postage	24,066	32,009
Advertising	144,302	144,370
Insurance	126,410	115,613
Employee relations, training and recruitment	70,977	59,005
Software support	120,111	104,076
Pharmacy processing fees	112,838	-
Interest expense	36,914	39,504
Other expenses	162,696	151,245
Total expenses	9,108,328	9,378,055
Operating income (loss)	31,325	(421,353)

MONONGAHELA VALLEY ASSOCIATION OF HEALTH CENTERS, INC.
STATEMENTS OF OPERATIONS (CONT'D)
FOR THE YEARS ENDED JANUARY 31,

	2018	2017
Other Income		
Investment income	$ 666,327	$ 374,609
Gain on sale of intangible assets	200,000	-
Total other income	866,327	374,609
Excess (deficiency) of unrestricted revenues and support over (under) expenses	897,652	(46,744)
Other Changes		
Pension-related changes other than net periodic pension costs	241,739	444,587
Total other changes	241,739	444,587
Change in unrestricted net assets	$ 1,139,391	$ 397,843

See accompanying notes and independent auditor's report.

MONONGAHELA VALLEY ASSOCIATION OF HEALTH CENTERS, INC.
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED JANUARY 31, 2018 AND 2017

Net assets, February 1, 2016	$ 9,505,978
Change in unrestricted net assets	397,843
Net assets, January 31, 2017	9,903,821
Change in unrestricted net assets	1,139,391
Net assets, January 31, 2018	$ 11,043,212

See accompanying notes and independent auditor's report.

MONONGAHELA VALLEY ASSOCIATION OF HEALTH CENTERS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JANUARY 31,

	2018	2017
Cash Flows From Operating Activities		
Change in unrestricted net assets	$ 1,139,391	$ 397,843
Adjustments to reconcile change in unrestricted net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	416,267	421,033
Net realized and unrealized losses (gains) on investments	(461,071)	(206,328)
Provision for uncollectible accounts	234,558	285,807
Net periodic pension costs	148,136	211,744
(Gain) loss on disposal of assets	(200,000)	15,147
Pension-related changes other than net periodic pension costs	(241,739)	(444,587)
(Increase) decrease in:		
Patient accounts receivable	275,697	(281,345)
Contract pharmacy receivable	(99,228)	-
Accounts receivable other	(24,554)	128,756
Inventories	30,744	20,101
Prepaid expenses	(29,105)	(17,600)
(Decrease) increase in:		
Accounts payable - trade	76,192	7,122
Accrued payroll and vacation	(1,421)	60,578
Accrued taxes	2,892	3,653
Accrued other	1,545	(4,902)
Deferred revenue	16,903	19,366
Post employment benefit	(8,287)	(7,598)
Supplemental retirement benefits	(37,325)	(123,224)
Excess pension obligations	(214,094)	(142,083)
Net cash provided by (used in) operating activities	1,025,501	343,483
Cash Flows From Investing Activities		
Acquisition of property and equipment	(60,450)	(274,631)
Proceeds from sale of assets	200,000	-
Acquisition of goodwill	-	(175,000)
Net proceeds (purchases) of assets whose use is limited	(665,819)	(154,908)
Net cash provided by (used in) investing activities	(526,269)	(604,539)

MONONGAHELA VALLEY ASSOCIATION OF HEALTH CENTERS, INC.
STATEMENTS OF CASH FLOWS (CONT'D)
FOR THE YEARS ENDED JANUARY 31,

	2018	2017
Cash Flows From Capital and Related Financing Activities		
Proceeds from line of credit and notes payable	$ -	$ 400,000
Repayment of notes payable	(144,437)	(205,731)
Net cash provided by (used in) financing activities	(144,437)	194,269
Net increase (decrease) in cash	354,795	(66,787)
Operating cash at beginning of year	121,635	188,422
Operating cash at end of year	$ 476,430	$ 121,635
Supplemental Disclosure of Cash Flows Information		
Cash paid during the year for interest	$ 36,914	$ 39,504

See accompanying notes and independent auditor's report.

MONONGAHELA VALLEY ASSOCIATION OF HEALTH CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

- **Description of Organization** - Monongahela Valley Association of Health Centers, Inc. (Association) is a non-profit West Virginia corporation established for the purpose of providing primary health care services to residents of Marion, Monongalia, Wetzel, Taylor, and Harrison Counties. Services offered by the Association include family practice, internal medicine, pediatrics, pharmacy, laboratory, x-ray, home health service, case management, optometry, optical shop, and social services. Funding for operations is primarily from grant sources and fees for services provided.

- **Basis of Accounting** - The Association employs generally accepted accounting policies and principles for non-profit organizations.

- **Charity Care** - The Association provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Association does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The Association has estimated that the amount of services provided based on established rates that will qualify under the charity care policy is $113,000 and $110,000 for the years ended January 31, 2018 and 2017, respectively. Estimated costs and expenses incurred to provide charity care amounted to $133,000 and $119,000 for the years ended January 31, 2018 and 2017, respectively.

- **Cash Equivalents** consist of liquid assets with original maturities of less than three months, excluding assets whose use is limited by board designation.

- **Inventories** consist of drugs and medical supplies and are stated at the lower of FIFO cost or market.

- **Investments** in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value. Cash and cash equivalents are carried at cost which approximates fair value. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in revenues (less than) in excess of expenses unless the income or loss is restricted by donor or law.

- **Assets Whose Use is Limited** - Assets whose use is limited include assets set aside by the Board of Directors for future capital improvements, contingency reserve for operations and other restricted uses, over which the Board retains control and may at its discretion subsequently use for other purposes.

See independent auditor's report.

- **Accounts Receivable** are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables from grants, contracts, Medicaid/Medicare, and others. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the applicable accounts receivable. The allowance for uncollectible accounts at January 31, 2018 and 2017, was $288,676 and $573,862, respectively.

- **Land, Buildings and Equipment** are recorded at cost and stated net of accumulated depreciation. Depreciation and amortization of assets is provided over the estimated useful lives of the assets using the straight-line and accelerated methods.

- **Goodwill** - The accounting for the acquisition of North Marion Medical Associates, PLLC in 2016 resulted in recognizing goodwill of $175,000. Under generally accepted accounting principles, the carrying amount of goodwill is not amortized but is reduced if management determines that its implied fair value has been impaired.

- **Pension Plan** - The Association has a defined contribution pension plan covering substantially all of its employees. The Association also has two defined benefit pension plans that were frozen effective June 30, 2011. The Association's policy is to fund the amount accrued for pension cost annually.

- **Net Patient Service Revenue** - The Association has agreements with third-party payors that provide for payments to the Association at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

- **Supplemental Retirement Benefit** - The Association has a Supplemental Retirement Benefit Plan for certain medical staff. This plan is a nonqualified deferred compensation plan. The final disbursement of the supplemental retirement benefit plan was made in 2017.

- **Income Taxes** - The Association is exempt from federal and state income taxes under section 501(c)3 of the Internal Revenue Code. All required federal business income tax returns for the Association have been filed up to, and including, the tax year ended January 31, 2017. The Association's federal income tax returns for 2017, 2016, and 2015 remain subject to examination by the Internal Revenue Service ("IRS").

See independent auditor's report.

- **Concentration of Credit Risk** - The Association provides medical services principally to residents of Marion, Wetzel, Taylor, Monongalia and Harrison Counties, West Virginia. The Association bills for services provided to insurance carriers and patients. The Association has significant credit risk with the following third party programs: Medicare and Medicaid.

- **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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

- **Advertising and interest costs** – All advertising and interest costs incurred during the years ended January 31, 2018 and 2017 have been expensed.

2. Patient Accounts Receivable

Accounts receivable and the allowance for charity care, contractual allowances, and uncollectible accounts consist of the following:

	01/31/18	01/31/17
General patient revenue	$ 917,730	$ 1,647,669
Home Health	23,348	145,931
Pharmacy	46,186	43,868
Other	70,686	53,972
Estimated gross patient receivable	1,057,950	1,891,440
Less: Allowance for contractual adjustments	(99,403)	(137,452)
Allowance for uncollectible accounts	(288,676)	(573,862)
Patient accounts receivable (net)	$ 669,871	$ 1,180,126

See independent auditor's report.

3. Contract Pharmacy Receivable

The Association entered into an agreement with CaptureRX to administer its 340B program. Under this agreement CaptureRX collects payments from participating pharmacies and remits payments to the Association for its 340B program income. Payments due to the Association as of January 31, 2018 and 2017 amounted to $99,228 and $0, respectively, and are reported as Contract pharmacy receivable on the balance sheets.

4. Accounts Receivable - Other

Accounts receivable - other consist of the following:

	01/31/18	01/31/17
Grants receivable	$ 23,293	$ 9,252
EHR incentive payments	19,833	-
Other	-	9,320
	$ 43,126	$ 18,572

5. Prepaid Expenses

Prepaid expenses consist of the following:

	01/31/18	01/31/17
Maintenance agreements	$ 49,233	$ 24,377
Insurance	68,259	66,082
Other	3,539	1,467
	$ 121,031	$ 91,926

6. Assets Whose Use is Limited

Assets whose use is limited that are required for obligations classified as current liabilities are reported in current assets. The composition of assets whose use is limited is set forth in the following tables. Investments are stated at fair value.

See independent auditor's report.

	01/31/18	01/31/17
Limitation by Board for:		
Capital improvements and operating contingency	$ 3,924,084	$ 2,383,894
Supplemental retirement benefit plan	-	37,325
Post employment benefit	44,128	52,415
Accrued vacation	485,650	528,086
Defined benefit pension plan funding	912,359	1,220,056
Total limitation by Board	5,366,221	4,221,776
Limitation by Outside Parties:		
Pledged as collateral	774,622	792,177
Total assets whose use is limited	$ 6,140,843	$ 5,013,953
Current portion	$ 580,421	$ 655,971
Non-current portion	5,560,422	4,357,982
Total	$ 6,140,843	$ 5,013,953

During 2010, the Association pledged an investment account as collateral for a loan. The agreement states that the Association can reduce the amount in the investment account semi-annually on the last day of each sixth month period so that the balance equals the outstanding principal of the loan on that date. At January 31, 2018, the investment account had a value of $110,679 and the loan had an outstanding principal balance of $82,581.

During 2011, the Association pledged an investment account as collateral for a loan. The agreement states that the Association will maintain a balance equal to or exceeding 110% of the maximum principal amount of the loan through June 30, 2012. After that date, the Association can reduce the amount in the investment account quarterly on the last day of each quarter so that the cash value equals or exceeds 110% of the outstanding principal of the loan. The loan was refinanced in 2016 with the same collateral agreement. At January 31, 2018, the investment account had a value of $663,943 and the loan had an outstanding principal balance of $516,458.

See independent auditor's report.

Assets whose use is limited consists of:

January 31, 2018

		Amortized Cost		Unrealized Gains		Unrealized Losses		Fair Value
Cash and equivalents	$	137,377	$	-	$	-	$	137,377
Mutual funds		5,100,893		296,008		(7)		5,396,894
Exchange traded and closed end funds		347,734		253,838		-		601,572
Equity securities		5,000		-		-		5,000
	$	5,591,004	$	549,846	$	(7)	$	6,140,843

January 31, 2017

		Amortized Cost		Unrealized Gains		Unrealized Losses		Fair Value
Cash and equivalents	$	413,034	$	-	$	-	$	413,034
Mutual funds		4,145,663		-		(40,763)		4,104,900
Exchange traded and closed end funds		352,124		138,895		-		491,019
Equity securities		5,000		-		-		5,000
	$	4,915,821	$	138,895	$	(40,763)	$	5,013,953

Investment income and gains and (losses) for assets whose use is limited and cash equivalents are comprised of the following for the years ending January 31, 2018 and 2017:

		01/31/18		01/31/17
Income:				
Interest income	$	496	$	36
Dividend and other investment income		204,760		168,245
Realized gain (loss) on sale of securities		9,364		961
Unrealized gains and (losses) on other than trading securities		451,707		205,367
	$	666,327	$	374,609

See independent auditor's report.

7. Land, Buildings, and Equipment

The following is a summary of land, buildings, and equipment:

	1/31/2018	1/31/2017
Land	$ 275,105	$ 275,105
Buildings	8,694,670	8,659,153
Vehicles	77,004	77,004
Equipment	1,467,549	1,441,604
Furniture and fixtures	147,689	148,701
	10,662,017	10,601,567
Less accumulated depreciation	(4,538,696)	(4,122,429)
Total	$ 6,123,321	$ 6,479,138

Depreciation expense was $416,267 and $420,783 for the years ended January 31, 2018 and 2017, respectively.

8. Accrued Other

Other accrued items consist of:

	01/31/18	01/31/17
Defined contribution pension plan payable	$ 5,623	$ 4,078
Total	$ 5,623	$ 4,078

See independent auditor's report.

9. Notes Payable

Notes payable consists of the following at January 31,:

	2018	2017
The Center for Rural Health Development, Inc., payable in monthly installments of $3,203.14, including interest at 5.5%, through April 2020. Secured by a Morgan Stanley Investment Account.	$ 82,581	$ 115,434
The Center for Rural Health Development, Inc., payable in monthly installments calculated based on a 10-year amortization period (currently $5,932.83), including interest at an adjustable rate (currently at 4%), through maturity on August 16, 2026. Secured by a Morgan Stanley Investment Account.	516,458	565,686
USDA Rural Development, payable in monthly installments of $944.00, including interest at a rate of 2.75%, through maturity on August 24, 2051. Secured by real estate located in Mannington, West Virginia.	247,317	251,778
	846,356	932,898
Less: Current portion	(90,881)	(86,918)
Non-current portion	$ 755,475	$ 845,980

Future principal reductions are scheduled as follows:

2019	$ 90,881
2020	95,070
2021	71,621
2022	63,023
2023	65,526
Thereafter	460,235
Total	$ 846,356

See independent auditor's report.

10. Capital Leases

The Association leases equipment under a capital lease. The economic substance of the leases is that the Association is financing the acquisition of the equipment through the leases, and accordingly, it is recorded in the Association's assets and liabilities.

The following is an analysis of the leased assets included in land, buildings, and equipment as of January 31,:

	2018	2017
Equipment	$ 281,505	$ 281,505
Less: Accumulated depreciation	(171,092)	(130,877)
Total	$ 110,413	$ 150,628

The following is a schedule of future minimum lease payments under these capital leases together with the present value of net minimum lease payments as of January 31, 2018.

2019	$ 38,151
Total	38,151
Less: Amounts representing interest and taxes	(571)
Present value of minimum lease payments	$ 37,580
Current portion	$ 37,580
Non-current portion	-
Total	$ 37,580

See independent auditor's report.

11. Line of Credit

The Association has a $250,000 line of credit with Branch Banking and Trust Company. The amount drawn on the line was $0 and $0, at January 31, 2018 and 2017, respectively. The interest rate on the line is variable at prime plus 1%, with a minimum rate of 4.5%. At January 31, 2018, the rate was 4.5%. The line of credit is secured by accounts receivable.

12. Net Assets

Unrestricted net assets consist of the following:

	01/31/18	01/31/17
Unrestricted		
General Purpose	$ 10,919,275	$ 9,849,333
Limited by outside parties	123,937	54,488
Total	$ 11,043,212	$ 9,903,821

Unrestricted net assets limited by outside parties consist of the excess market value over the minimum required balance in investment accounts pledged as security for long term debt. The Association can reduce the amount in the investment accounts semi-annually on the last day of each sixth month period for one pledged account and quarterly on the last day of the quarter for the other pledged account.

See independent auditor's report.

13. Patient Service Revenues (Net of Contractual Allowances and Discounts)

The following is a summary of patient service revenues (net of contractual allowances and discounts) for the years ended January 31,:

	2018	2017
General patient revenue	$ 6,340,834	$ 6,977,292
Home Health services	239,819	420,151
Pharmacy sales	857,811	963,666
Optical sales	294,132	321,060
	7,732,596	8,682,169
Less: Provision for charity care	(112,520)	(109,806)
Gross patient service revenue	7,620,076	8,572,363
Less: Provision for contractual allowances	(1,576,539)	(1,823,565)
Patient service revenues (net of contractual allowances and discounts)	$ 6,043,537	$ 6,748,798

14. Pension Plans

The Association has a Supplemental Retirement Benefit Plan for certain medical staff. This plan is a deferred compensation plan. The Association's policy is to accrue the liability in the year that the benefit is earned. The benefit of the plan is to be disbursed upon death, retirement or termination of employment. The amount expensed for the years ended January 31, 2018 and 2017, was $0 and $5,892, respectively.

During the year ended January 31, 2012, the Association entered into a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers substantially all employees. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code if they wish. The Association contributes a matching contribution of 100% of employees' contributions up to 5% of wages for Class I employees. The Association contributes a matching contribution of 50% of employees' contributions up to 2.5% of wages and a flat contribution of 1% of wages for Class II employees. Employer contributions expense under this plan was $154,858 and $161,374 for the years ended January 31, 2018 and 2017, respectively.

The Association has two non-contributory defined benefit pension plans that covered substantially all employees while the plans were active. The Association's funding policy is to annually contribute amounts actuarially determined to provide for benefits attributed to service to date and benefits expected to be earned in the future. Pursuant to plan revisions, both plans were frozen effective June 30, 2011.

Pension Plan Obligations and Funded Status:

	Bargaining 01/31/18	Non-bargaining 01/31/18	Total
Projected benefit obligation at January 31	$ 2,680,393	$ 3,070,054	$ 5,750,447
Pension Plan assets at fair value at January 31	2,296,482	2,541,606	4,838,088
Funded status	(383,911)	(528,448)	(912,359)
Accumulated benefit obligation at January 31	2,680,393	3,070,054	5,750,447
Employer contributions	102,000	112,094	214,094
Participant contributions	-	-	-
Benefits paid	(128,727)	(66,483)	(195,210)
Amounts recognized in the Balance Sheet at January 31, 2018 consist of:			
Pension liability	(383,911)	(528,448)	(912,359)
Amounts recognized in the Statement of Operations for January 31, 2018 consists of:			
Service costs	-	-	-
Interest cost	101,617	113,100	214,717
Return on assets	(92,041)	(100,996)	(193,037)
Amortization of prior service costs	-	-	-
Amortization of net loss	59,713	66,743	126,456
Effect of special events (settlement)	-	-	-
Net periodic pension costs	69,289	78,847	148,136
Other changes in plan assets and benefit obligations recognized in changes in unrestricted net assets			
Net loss	530,988	585,997	1,116,985
Net prior service cost	-	-	-
Amounts recognized in unrestricted net assets, not yet recognized as periodic pension cost at January 31, 2018	$ 530,988	$ 585,997	$ 1,116,985

See independent auditor's report.

The estimated net loss and prior service cost that will be amortized from changes in unrestricted net assets into net periodic benefit cost during the year ending January 31, 2018 are $89,659 and $0, respectively.

	01/31/17	01/31/17	Total
Projected benefit obligation at January 31	$ 2,548,452	$ 2,840,306	$ 5,388,758
Pension Plan assets at fair value at January 31	1,979,237	2,189,465	4,168,702
Funded status	(569,215)	(650,841)	(1,220,056)
Accumulated benefit obligation at January 31	2,548,452	2,840,306	5,388,758
Employer contributions	65,327	76,756	142,083
Participant contributions	-	-	-
Benefits paid	(149,754)	(66,483)	(216,237)
Amounts recognized in the Balance Sheet at January 31, 2017 consist of:			
Pension liability	(569,215)	(650,841)	(1,220,056)
Amounts recognized in the Statement of Operations for January 31, 2017 consists of:			
Service costs	-	-	-
Interest cost	107,176	112,497	219,673
Return on assets	(99,466)	(104,970)	(204,436)
Amortization of prior service costs	-	-	-
Amortization of net loss	106,050	90,457	196,507
Effect of special events (settlement)	-	-	-
Net periodic pension costs	113,760	97,984	211,744
Other changes in plan assets and benefit obligations recognized in changes in unrestricted net assets			
Net loss	683,581	675,143	1,358,724
Net prior service cost	-	-	-
Amounts recognized in unrestricted net assets, not yet recognized as periodic pension cost at January 31, 2017	$ 683,581	$ 675,143	$ 1,358,724

See independent auditor's report.

	Bargaining 01/31/18	Non-bargaining 01/31/18	Total
Weighted-average assumptions used to determine benefit obligations at January 31:			
Discount rate	3.70%	3.75%	3.75%
Rate of compensation increase	N/A	N/A	N/A
Weighted-average assumptions used to determine net periodic benefit cost for years ended January 31:			
Discount rate	4.10%	4.15%	4.15%
Expected return on plan assets	6.75%	6.75%	6.75%
Rate of compensation increase	N/A	N/A	N/A
Assumed health care cost trend rates:			
Health care cost trend rates assumed for next year	-	-	-
Rate to which the health care cost trend rate is assumed to decline (ultimate trend rate)	-	-	-
Year that the rate reaches the ultimate trend rate	-	-	-

	Bargaining 01/31/17	Non-bargaining 01/31/17	Total
Weighted-average assumptions used to determine benefit obligations at January 31:			
Discount rate	4.10%	4.15%	4.15%
Rate of compensation increase	N/A	N/A	N/A
Weighted-average assumptions used to determine net periodic benefit cost for years ended January 31:			
Discount rate	4.25%	4.30%	4.30%
Expected return on plan assets	7.75%	7.75%	7.75%
Rate of compensation increase	N/A	N/A	N/A
Assumed health care cost trend rates:			
Health care cost trend rates assumed for next year	-	-	-
Rate to which the health care cost trend rate is assumed to decline (ultimate trend rate)	-	-	-
Year that the rate reaches the ultimate trend rate	-	-	-

See independent auditor's report.

The Association's expected rate of return on plan assets is determined by the plan assets' historical long-term investment performance, current asset allocation, and estimates of future long-term returns by asset class.

The Association's investment strategy is to utilize a diversified portfolio of financial investment vehicles each of which involve levels of risk and return that are commensurate with the levels of risk and return from similar types of investments and, in the aggregate, would be regarded as prudent by a person acting in a like capacity and familiar with such matters. Accordingly, the composition of the Association's plan assets is broadly characterized as a 40 to 80% allocation in equities and 20 to 40% in cash, bonds, and other debt and cash instruments.

The Association attempts to mitigate investment risk by periodically reviewing the asset mix of investments as the Association's contributions and benefit payments are made. Although changes in interest rates may affect the fair value of a portion of the investment portfolio and cause unrealized gains or losses, such gains or losses would not be realized unless the investments are sold.

The fair values of the Association's pension plan assets by asset class are as follows:

		Fair Value Measurements at Report Date Using		
Assets Class	Fair Value	Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Bargaining, 1/31/18				
Pooled separate accounts				
Mutual funds				
Large U.S. Equity	$ 810,369	$ -	$ 810,369	$ -
Small/Mid U.S. Equity	327,991	-	327,991	-
International Equity	457,215	-	457,215	-
Fixed Income	700,907	-	700,907	-
	$ 2,296,482	$ -	$ 2,296,482	$ -
Non-bargaining, 1/31/18				
Pooled separate accounts				
Mutual funds				
U.S. Equity	$ 926,082	$ -	$ 926,082	$ -
Small/Mid U.S. Equity	378,200	-	378,200	-
International Equity	526,058	-	526,058	-
Fixed Income	711,266	-	711,266	-
	$ 2,541,606	$ -	$ 2,541,606	$ -

See independent auditor's report.

Assets Class	Fair Value	Fair Value Measurements at Report Date Using: Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Bargaining, 1/31/17				
Pooled separate accounts				
Mutual funds				
Large U.S. Equity	$ 702,522	$ -	$ 702,522	$ -
Small/Mid U.S. Equity	289,198	-	289,198	-
International Equity	401,671	-	401,671	-
Fixed Income	585,846	-	585,846	-
	$ 1,979,237	$ -	$ 1,979,237	$ -
Non-bargaining, 1/31/17				
Pooled separate accounts				
Mutual funds				
U.S. Equity	$ 772,003	$ -	$ 772,003	$ -
Small/Mid U.S. Equity	320,622	-	320,622	-
International Equity	444,372	-	444,372	-
Fixed Income	652,468	-	652,468	-
	$ 2,189,465	$ -	$ 2,189,465	$ -

Following is a description of the valuation methodologies used for assets measured at fair value (Level 2).

Pooled Separate Accounts: The fair value of the investments in this category has been estimated using the net asset value per share. The net asset value (NAV) of each of the separate accounts is calculated in a manner consistent with Accounting Principles Generally Accepted in the United States of America and is determinative of their fair value and represents the price at which the Plan would be able to initiate a transaction. The separate accounts invest in publicly quoted mutual funds. The fair value of the underlying mutual fund is used to determine the NAV of the separate account, which is not publicly quoted. There are currently no redemption restrictions on these investments.

See independent auditor's report.

The Association expects to contribute $42,026 to its bargaining pension plan and $46,716 to its non-bargaining pension plan during the year ending January 31, 2018. No plan assets are expected to be returned during the year ending January 31, 2018.

Estimated Future Benefit Payments – The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	Bargaining 01/31/18	Non-bargaining 01/31/18	Total
2019	$ 340,000	$ 190,000	$ 530,000
2020	190,000	510,000	700,000
2021	180,000	180,000	360,000
2022	140,000	120,000	260,000
2023	130,000	120,000	250,000
2024-2028	770,000	840,000	1,610,000
Total	$ 1,750,000	$ 1,960,000	$ 3,710,000

15. Revenues

Revenues received under cost reimbursement agreements totaling $4,950,756 for the current year and $5,591,866 for the prior year are subject to audit and retroactive adjustment by third-party payers. Provisions for estimated retroactive adjustments under these agreements have been provided.

16. Functional Expenses

The Association provides general health care services to residents within its geographic location. Expenses related to providing these services are as follows:

	1/31/18	1/31/17
Health care services	$ 6,967,886	$ 6,987,347
General and administrative	2,140,442	2,390,708
	$ 9,108,328	$ 9,378,055

See independent auditor's report.

17. Operating Leases

The Association leases various pieces of equipment under operating leases. The following schedule shows the aggregate future minimum lease payments required by year under the operating leases.

2019	$ 30,287
2020	29,680
2021	23,003
2022	2,160
	$ 85,130

Rental expense for the leases was $28,881 and $29,427 for the years ended January 31, 2018 and 2017, respectively.

18. Medical Malpractice Claims

Medical malpractice claims may be asserted against the Association arising from services provided to patients through January 31, 2018. The Association does not anticipate any significant loss contingency due to medical malpractice claims; and, therefore, no accrual has been made.

19. Subsequent Events

The Association's management evaluated the effect subsequent events would have on the financial statements through June 6, 2018, which is the date the financial statements were available to be issued.

20. Fair Value Measurements

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework 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 quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1. Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation 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 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 asset 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 input 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.

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis. There have been no changes in the methodologies used at January 31, 2018.

Equity securities, mutual funds, and exchange traded and closed end funds: The fair value of equity securities, mutual funds, and exchange traded and closed end funds classified as Level 1 has been measured by reference to quoted market prices.

Fair value of assets and liabilities are measured on a recurring basis at January 31, 2018 and 2017 are as follows:

	Fair Value Measurements at Reporting Date			
	Level 1	Level 2	Level 3	Total
January 31, 2018				
Assets whose use is limited				
Mutual Funds				
Inflation-protected Bond	$ 156,235	$ -	$ -	$ 156,235
Ultrashort Bond	1,049,392	-	-	1,049,392
Intermediate-term Bond	1,757,545	-	-	1,757,545
High Yield Bond	157,704	-	-	157,704
World Bond	429,205	-	-	429,205
Emerging Markets Bond	104,877	-	-	104,877
Diversified Emerging Markets	259,254	-	-	259,254
Foreign Small/Mid Growth	241,754	-	-	241,754
Foreign Large Growth	239,325	-	-	239,325
Small Growth	110,045	-	-	110,045
Mid-cap Growth	216,633	-	-	216,633
Large Growth	385,759	-	-	385,759
Mid-cap Value	108,752	-	-	108,752
Large Value	180,414	-	-	180,414
Exchange traded and closed end funds				
Large Value	601,572	-	-	601,572
Equity Securities				
Health Care	5,000	-	-	5,000
Total assets and liabilities at fair value	$ 6,003,466	$ -	$ -	$ 6,003,466

	Fair Value Measurements at Reporting Date			
	Level 1	Level 2	Level 3	Total
January 31, 2017				
Assets whose use is limited				
Mutual Funds				
Inflation-protected Bond	$ 137,116	$ -	$ -	$ 137,116
Ultrashort Bond	443,528	-	-	443,528
Intermediate-term Bond	1,512,879	-	-	1,512,879
High Yield Bond	140,793	-	-	140,793
World Bond	364,843	-	-	364,843
Emerging Markets Bond	91,913	-	-	91,913
Diversified Emerging Markets	197,885	-	-	197,885
Foreign Small/Mid Growth	184,976	-	-	184,976
Foreign Large Growth	185,392	-	-	185,392
Small Growth	98,545	-	-	98,545
Mid-cap Growth	183,272	-	-	183,272
Large Growth	317,295	-	-	317,295
Mid-cap Value	93,366	-	-	93,366
Large Value	153,097	-	-	153,097
Exchange traded and closed end funds				
Large Value	491,019	-	-	491,019
Equity Securities				
Health Care	5,000	-	-	5,000
Total assets and liabilities at fair value	$ 4,600,919	$ -	$ -	$ 4,600,919

See independent auditor's report.

Tetrick & Bartlett, PLLC
Certified Public Accountants
Consultants

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

To the Board of Directors of
Monongahela Valley Association of
Health Centers, Inc.
Fairmont, 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 Monongahela Valley Association of Health Centers, Inc. (a nonprofit organization), which comprise the balance sheet as of January 31, 2018, and the related statements of operations, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 6, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Monongahela Valley Association of Health Centers, 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 Monongahela Valley Association of Health Centers, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Monongahela Valley Association of Health Centers, 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,

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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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Monongahela Valley Association of Health Centers, Inc.'s financial statements are free of 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.*

We noted certain other matters that we reported to Management of Monongahela Valley Association of Health Centers, Inc. in a separate letter dated June 6, 2018.

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.

Tetrick & Bartlett, PLLC

Fairmont, West Virginia
June 6, 2018

Tetrick & Bartlett, PLLC
Certified Public Accountants
Consultants

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

To the Board of Directors of
Monongahela Valley Association of
Health Centers, Inc.
Fairmont, West Virginia

Report on Compliance for Each Major Federal Program

We have audited Monongahela Valley Association of Health Centers, 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 Monongahela Valley Association of Health Centers, Inc.'s major federal programs for the year ended January 31, 2018. Monongahela Valley Association of Health Centers, 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 Monongahela Valley Association of Health Centers, 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

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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 Monongahela Valley Association of Health Centers, Inc.'s compliance with those requirements and performing such other procedures as we considered 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 Monongahela Valley Association of Health Centers, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Monongahela Valley Association of Health Centers, 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 January 31, 2018.

Report on Internal Control over Compliance

Management of Monongahela Valley Association of Health Centers, 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 Monongahela Valley Association of Health Centers, 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 our 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 Monongahela Valley Association of Health Centers, 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.

Toothman & Barber, PLLC

Fairmont, West Virginia
June 6, 2018

MONONGAHELA VALLEY ASSOCIATION OF HEALTH CENTERS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JANUARY 31, 2018

A. Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on the financial statements of Monongahela Valley Association of Health Centers, Inc.

2. No significant deficiencies relating to the audit of the financial statements are reported in the report on internal control over financial reporting and compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*. Additionally, no material weaknesses are reported.

3. No instances of noncompliance material to the financial statements of the Monongahela Valley Association of Health Centers, Inc. were disclosed during the audit.

4. No significant deficiencies relating to the audit of the major federal award programs are reported in the independent auditor's report on compliance with requirements that could have a direct and material effect on each major program and on internal control over compliance in accordance with the Uniform Guidance. Additionally, no material weaknesses are reported.

5. The auditor's report on compliance for the major federal award programs for Monongahela Valley Association of Health Centers, Inc. expresses an unmodified opinion on all major federal programs.

6. No audit findings that are required to be reported in accordance with 2 CFR 200.516(a) are reported in this Schedule.

7. The programs tested as major programs:

   U.S. Department of Health and Human Services

Health Center Program Cluster:	
Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	CFDA #93.224
Grants for New and Expanded Services under the Health Center Program	CFDA #93.527

8. The threshold for distinguishing between Type A and B programs was $750,000.

9. Monongahela Valley Association of Health Centers, Inc. qualifies as a low risk auditee.

B. Findings – Financial Statements Audit

None.

C. Findings and Questioned Costs - Major Federal Award Programs Audit

None.

MONONGAHELA VALLEY ASSOCIATION OF HEALTH CENTERS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JANUARY 31, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Expenditures
U.S. Department of Health and Human Services			
Health Center Program Cluster			
Direct Programs:			
Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care) - H80CS00383	93.224	n/a	$ 749,971
Total Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)			749,971
Grants for New and Expanded Services under the Health Center Program	93.527	n/a	
Health Center Program - H80CS00383			1,473,178
Quality Improvement - H80CS00383			122,993
Delivery System Health Information Investments - H80CS00383			20,780
Total Grants for New and Expanded Services under the Health Center Program			1,616,951
Total Health Center Program Cluster			2,366,922
Total Department of Health and Human Services Direct Programs			2,366,922
Total U.S. Department of Health and Human Services			$ 2,366,922
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 2,366,922

See accompanying notes to the schedule of expenditures of federal awards and independent auditor's report.

MONONGAHELA VALLEY ASSOCIATION OF HEALTH CENTERS, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JANUARY 31, 2018

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Association under programs of the federal government for the year ended January 31, 2018. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of Monongahela Valley Association of Health Centers, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Monongahela Valley Association of Health Centers, Inc.

B. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

C. Indirect Cost Rate

Monongahela Valley Association of Health Centers, Inc. has elected not to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance.

MONONGAHELA VALLEY ASSOCIATION OF HEALTH CENTERS, INC.
SCHEDULE OF STATE GRANT RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JANUARY 31, 2018

Identifying State Grant Information	Period of Time	Amount of Award	Receipt of Funds	Expenditures of Funds
DHHR – Uncompensated Care #G170368	07/01/16 – 06/30/17	68,518	$ 39,739	$ 34,029
DHHR – School Based #G170368	07/01/16 – 06/30/17	4,487	2,603	2,229
DHHR – Uncompensated Care #G180362	07/01/17 – 06/30/18	62,291	26,164	31,355
DHHR – School Based #G180362	07/01/17 – 06/30/18	3,375	1,418	1,699
Total			$ 69,924	$ 69,312

See accompanying notes and independent auditor's report.

Tetrick & Bartlett, PLLC
Certified Public Accountants
Consultants

To the Board of Directors
Monongahela Valley Association of Health Centers, Inc.
Fairmont, West Virginia

In planning and performing our audit of the financial statements of the Monongahela Valley Association of Health Centers, Inc. for the year ended January 31, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the Association's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

However, during our audit, we became aware of a matter that is an opportunity for strengthening internal controls and operating efficiency. (We previously reported on the Association's internal control in our report dated June 6, 2018.) This letter does not affect our report dated June 6, 2018, on the financial statements of the Monongahela Valley Association of Health Centers, Inc.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with Association personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

Reconciliation of Write-offs of Patient Accounts Receivable

During our audit procedures, we noted that there was not a reconciliation of patient accounts receivable write-offs posted to the billing systems and general ledger and write-offs approved by the Board of Directors and/or management. Reconciliations of write-offs to patient accounts receivable should be performed in order to identify errors and/or other matters of significance.

We recommend the Association adhere to the internal control system designed to ensure that only write-offs of patient accounts receivable approved by the Board of Directors and/or management are posted to the billing systems and general ledger.

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We wish to thank the Chief Executive Officer and her staff for their support and assistance during our audit.

This report is intended solely for the information and use of the Board Members, management, and others within the Association, and is not intended to be, and should not be, used by anyone other than these specified parties.

Tetrick & Bartlett, PLLC

Fairmont, West Virginia
June 6, 2018