



**FMRS HEALTH SYSTEMS, INC.**

**FINANCIAL REPORT**

**June 30, 2020**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
FMRS Health Systems, Inc.  
Beckley, West Virginia

### **Report on the Financial Statements**

We have audited the accompanying financial statements of FMRS Health Systems, Inc. (the "Agency") which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### **Auditor's Responsibility**

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FMRS Health Systems, Inc. as of June 30, 2020 and 2019, 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 audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and Schedule of State Awards are presented for purposes of additional analysis 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 Schedule of Expenditures of Federal Awards and the Schedule of State Awards are 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 April 21, 2021 on our consideration of FMRS Health Systems, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering FMRS Health Systems, Inc.'s internal control over financial reporting and compliance.

*Brown, Edwards & Company, L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS

Charleston, West Virginia  
April 16, 2021

**FMRS HEALTH SYSTEMS, INC.**

**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 3,412,971	\$ 1,517,466
Restricted cash	222,996	118,298
Certificates of deposit	6,100,659	4,827,400
Accounts receivable, less allowance for doubtful accounts of \$199,464 in 2020 and \$330,590 in 2019	914,087	1,028,045
Grants and other receivables	1,556,776	2,282,241
Property held for others	9,117	91,234
Prepaid expenses	120,689	101,196
	<hr/>	<hr/>
Total current assets	12,337,295	9,965,880
PROPERTY AND EQUIPMENT, net (Note 5)	<hr/>	<hr/>
	903,849	1,034,652
	<hr/>	<hr/>
Total assets	<u>\$ 13,241,144</u>	<u>\$ 11,000,532</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 372,200	\$ 292,374
Accrued expenses	725,804	524,555
Accrued annual leave	548,084	519,536
Liability for property held for others	-	91,234
Refundable advance - Payroll Protection Program (Note 10)	683,526	-
Refundable advance	466,257	68,003
Current maturities of capital lease obligations	18,528	32,327
	<hr/>	<hr/>
Total current liabilities	2,814,399	1,528,029
	<hr/>	<hr/>
CAPITAL LEASE OBLIGATIONS	-	18,528
	<hr/>	<hr/>
Total liabilities	2,814,399	1,546,557
	<hr/>	<hr/>
NET ASSETS WITHOUT DONOR RESTRICTIONS	10,426,745	9,453,975
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 13,241,144</u>	<u>\$ 11,000,532</u>

The Notes to Financial Statements are an integral part of these statements.

**FMRS HEALTH SYSTEMS, INC.**

**STATEMENTS OF ACTIVITIES**  
**Years Ended June 30, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>OPERATING REVENUE AND SUPPORT</b>		
Net client service revenues	\$ 6,414,536	\$ 7,544,802
State and federal grant revenues	7,499,055	6,395,983
Contribution - Payroll Protection Program (Note 10)	819,374	-
Fair value of the annual use of facilities provided by the State of West Virginia (Note 7)	335,556	335,556
Other	126,088	141,198
	<b>15,194,609</b>	<b>14,417,539</b>
<b>OPERATING EXPENSES</b>		
Salaries and wages	8,406,528	8,498,381
Employee benefits	2,109,504	2,205,749
Contract labor and professional fees	1,153,119	989,133
Repairs and maintenance	188,592	165,906
Vehicle expense	274,596	253,966
Supplies	417,341	367,105
Utilities	337,441	346,072
Staff development and travel	221,138	358,514
Insurance	204,121	200,445
Interest	4,896	3,740
Depreciation	196,584	226,433
Rent expense attributed to fair value of annual use of facilities provided by the State of West Virginia (Note 7)	335,556	335,556
Other	473,355	434,703
	<b>14,322,771</b>	<b>14,385,703</b>
Total operating expenses	<b>14,322,771</b>	<b>14,385,703</b>
Operating income	<b>871,838</b>	<b>31,836</b>
<b>NONOPERATING GAINS</b>		
Interest	96,032	81,330
Gain on sale of assets	4,900	5,500
	<b>100,932</b>	<b>86,830</b>
Total nonoperating gains	<b>100,932</b>	<b>86,830</b>
Change in net assets without donor restrictions	<b>972,770</b>	<b>118,666</b>
NET ASSETS, beginning of year	<b>9,453,975</b>	<b>9,335,309</b>
NET ASSETS, end of year	<b>\$ 10,426,745</b>	<b>\$ 9,453,975</b>

The Notes to Financial Statements are an integral part of these statements.

**FMRS HEALTH SYSTEMS, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended June 30, 2020**

	Substance Abuse	Day Treatment	Waiver Services	Physicians	Crisis	ACT	Children's Mobile Crisis	Other	Total Program Services	General and administrative	Total	
Salaries and wages	\$ 1,307,858	\$ 1,008,774	\$ 402,866	\$ 834,368	\$ 637,352	\$ 559,096	\$ 676,996	\$ 248,523	\$ 942,260	\$ 6,618,093	\$ 1,788,435	\$ 8,406,528
Employee benefits	343,822	268,602	128,577	129,565	109,416	156,647	175,233	62,925	232,474	1,607,261	502,243	2,109,504
Contract labor and professional fees	182,196	38,003	274	56,262	301,963	89,829	2,011	47,008	92,356	809,902	343,217	1,153,119
Repairs and maintenance	62,599	1,232	1,185	1,035	168	8,782	323	217	5,709	81,250	107,342	188,592
Vehicle expense	17,049	16,724	59,679	-	-	3,382	48,912	2,836	82,748	231,330	43,266	274,596
Supplies	119,424	15,108	7,484	2,423	8,240	46,613	5,835	9,552	53,299	267,978	149,363	417,341
Utilities	34,473	28,768	22,877	13,802	10,630	13,705	20,083	9,040	35,534	188,912	148,529	337,441
Staff development and travel	16,710	15,535	1,972	72,643	3,156	1,519	6,414	4,578	80,217	202,744	18,394	221,138
Insurance	35,247	22,927	13,863	6,427	7,729	13,462	14,836	8,120	23,796	146,407	57,714	204,121
Interest	-	-	776	-	-	-	723	-	173	1,672	3,224	4,896
Depreciation	31,045	5,737	11,085	3,837	1,503	8,886	21,274	9,972	16,999	110,338	86,246	196,584
Rent expense	5,461	38,580	-	-	19,262	1,644	15,033	7,676	11,082	98,738	236,818	335,556
Other	230,178	38,411	4,009	203	9,473	6,578	2,680	98,671	(4,140)	386,063	87,292	473,355
	2,386,062	1,498,401	654,647	1,120,565	1,108,892	910,143	990,353	509,118	1,572,507	10,750,688	3,572,083	14,322,771
Plus expenses included with revenues on the statement of activities:												
Bad debt expense	63,600	131,672	1,253	4,331	72,507	30,224	(2,950)	-	1,584	302,221	-	302,221
<b>Total expense by function</b>	<b>\$2,449,662</b>	<b>\$1,630,073</b>	<b>\$ 655,900</b>	<b>\$1,124,896</b>	<b>\$1,181,399</b>	<b>\$ 940,367</b>	<b>\$ 987,403</b>	<b>\$ 509,118</b>	<b>\$1,574,091</b>	<b>\$11,052,909</b>	<b>\$ 3,572,083</b>	<b>\$14,624,992</b>

The Notes to Financial Statements are an integral part of these statements.

**FMRS HEALTH SYSTEMS, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**Year Ended June 30, 2019**

	Substance Abuse	Outpatient	Day Treatment	Waiver Services	Physicians	Crisis	ACT	Other	Total Program Services	General and administrative	Total
Salaries and wages	\$ 945,401	\$ 1,016,288	\$ 420,744	\$ 1,185,702	\$ 733,572	\$ 811,842	\$ 592,453	\$ 1,052,919	\$ 6,758,921	\$ 1,739,460	\$ 8,498,381
Employee benefits	264,014	298,618	142,291	178,700	137,260	223,028	161,446	270,277	1,675,634	530,115	2,205,749
Contract labor and professional fees	255,095	9,466	629	71,642	101,723	113,931	2,257	104,569	659,312	329,821	989,133
Repairs and maintenance	14,161	1,376	1,052	932	466	10,959	205	5,538	34,689	131,217	165,906
Vehicle expense	19,383	19,499	53,773	7	731	7,210	47,581	49,226	197,410	56,556	253,966
Supplies	82,757	12,107	8,416	2,729	7,988	54,082	5,781	56,777	230,637	136,468	367,105
Utilities	21,561	30,425	26,513	12,399	11,528	16,563	23,001	37,486	179,476	166,596	346,072
Staff development and travel	39,198	19,549	2,853	107,844	3,687	56,494	7,984	99,542	337,151	21,363	358,514
Insurance	27,886	23,827	16,140	7,616	7,458	20,294	15,238	25,267	143,726	56,719	200,445
Interest	-	-	936	-	-	-	1,375	331	2,642	1,098	3,740
Depreciation	28,645	14,504	12,647	3,792	1,503	18,858	21,274	19,673	120,896	105,537	226,433
Rent expense	3,624	49,326	-	-	18,758	6,912	15,134	12,886	106,640	228,916	335,556
Other	66,117	41,300	9,559	826	12,505	12,408	10,767	201,959	355,441	79,262	434,703
	1,767,842	1,536,285	695,553	1,572,189	1,037,179	1,352,581	904,496	1,936,450	10,802,575	3,583,128	14,385,703
Plus expenses included with revenues on the statement of activities:											
Bad debt expense	96,923	213,076	761	7,030	117,612	52,528	15,190	27,489	530,609	-	530,609
<b>Total expense by function</b>	<b>\$ 1,864,765</b>	<b>\$ 1,749,361</b>	<b>\$ 696,314</b>	<b>\$ 1,579,219</b>	<b>\$ 1,154,791</b>	<b>\$ 1,405,109</b>	<b>\$ 919,686</b>	<b>\$ 1,963,939</b>	<b>\$11,333,184</b>	<b>\$ 3,583,128</b>	<b>\$ 14,916,312</b>

The Notes to Financial Statements are an integral part of these statements.



**FMRS HEALTH SYSTEMS, INC.**

**STATEMENTS OF CASH FLOWS**  
**Years Ended June 30, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 972,770	\$ 118,666
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation	196,584	226,433
Gain on sale of assets	(4,900)	(5,500)
Provision for bad debts	302,221	530,609
Change in:		
Accounts receivable	(188,263)	(633,196)
Grants and other receivable	725,465	(1,250,581)
Prepaid expenses	(19,493)	(3,836)
Property held for others	82,117	(91,234)
Accounts payable	79,826	1,827
Liability for property held for others	(91,234)	91,234
Refundable advance - Payroll Protection Program loan	683,526	-
Refundable advance	398,254	68,003
Accrued expenses	201,249	(80,716)
Accrued annual leave	28,548	11,405
	<b>3,366,670</b>	<b>(1,016,886)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(65,781)	(172,228)
Maturity (purchase) of certificates of deposit	(1,273,259)	187,817
Proceeds from sale of assets	4,900	5,500
	<b>(1,334,140)</b>	<b>21,089</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on capital lease obligations	(32,327)	(30,848)
	<b>(32,327)</b>	<b>(30,848)</b>
Net increase (decrease) in cash and cash equivalents	2,000,203	(1,026,645)
CASH AND CASH EQUIVALENTS, beginning	1,635,764	2,662,409
CASH AND CASH EQUIVALENTS, ending	<b>\$ 3,635,967</b>	<b>\$ 1,635,764</b>
<b>SUPPLEMENTAL DISCLOSURE OF INFORMATION</b>		
Cash paid during the year for interest	<b>\$ 4,896</b>	<b>\$ 3,740</b>
<b>CASH IS REPORTED ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS:</b>		
Cash and cash equivalents	\$ 3,412,971	\$ 1,517,466
Restricted cash	222,996	118,298
	<b>\$ 3,635,967</b>	<b>\$ 1,635,764</b>

The Notes to Financial Statements are an integral part of these statements.

## FMRS HEALTH SYSTEMS, INC.

### NOTES TO FINANCIAL STATEMENTS

June 30, 2020

#### Note 1. **Organization and Significant Accounting Policies**

##### Nature of Organization and Operations

FMRS Health Systems, Inc. (the “Agency”) is a nonprofit, nonstock corporation organized under the laws of the State of West Virginia. The primary purpose of the Agency is to develop, operate, and maintain mental health facilities and services for individuals in Fayette, Monroe, Raleigh, and Summers Counties in West Virginia.

##### Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned, and expenses are recognized when the obligation is incurred. The Agency recognizes grant revenue as qualifying expenditures are incurred and records grant monies received in advance as refundable advances.

##### Operating income

All activities of the Agency deemed by management to be ongoing, major, and central to the Agency’s operation are reported as operating revenue and expenses. The statement of activities include operating income as a performance indicator. Changes in net assets that are excluded operating income, consistent with industry practice, include interest income and gain on sale of assets.

##### 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.

##### Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits with banking institutions in checking and savings accounts and investments in highly liquid debt instruments with original maturities of three months or less. Bank balances are typically secured by federal deposit insurance at \$250,000 per institution. Balances in these accounts sometimes exceed the federal deposit insurance limits; however, management believes the banks to be creditworthy and believes that credit risk associated with these deposits is minimal.

##### Restricted cash

The Agency participates in the Social Security’s Representative Payment program and provides benefit payment management for beneficiaries who are incapable of managing their Social Security or Supplemental Security Income payments. The benefit payments received by the Agency are not recorded as revenue and instead are recorded as restricted cash with an offsetting liability. When payments are made for the expenses of the beneficiaries no expense is recorded by the Agency and instead the liability and cash accounts are reduced.

##### Certificate of deposit

The Agency utilizes CDARS (Certificate of Deposit Account Registry), for increments less than \$250,000, in order to further secure cash amounts at different banking institutions using federal deposit insurance. The carrying value of these financial instruments approximates fair value due to their short maturity.

(Continued)

**FMRS HEALTH SYSTEMS, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**Note 1. Organization and Significant Accounting Policies (Continued)**

Valuation of accounts receivable

Substantially all accounts receivable are from Medicare, Medicaid, or other third-party payors. Accounts receivable are presented on the statement of financial position net of estimated allowances for uncollectible accounts, including bad debts and contractual allowances. The estimated allowance for uncollectible accounts is comprised of amounts management normally considers uncollectible based upon historical trends and an analysis of the likelihood of collectability of individual accounts. Amounts are normally considered uncollectible if unresolved differences between the Agency and the respective payor exceed a judgmentally significant time period and all means of collection have been exhausted.

Other receivables

Other receivables are stated at face amount and consist of grants receivable and other miscellaneous receivables. The Agency considers its other receivables to be fully collectible at June 30, 2020 and 2019. Accordingly, no allowance for doubtful accounts is recorded on these receivables.

Property and equipment

Purchases of property and equipment acquisitions greater than \$5,000 are capitalized and are recorded at cost. Depreciation is provided over the estimated useful lives of the assets ranging from three to forty years and is computed on the straight-line method. Expenditures for equipment costing less than \$5,000 and repairs and maintenance are charged to expense as incurred.

Contributions of land, buildings, and equipment are presented as without donor restriction support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Agency reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

All property and equipment is considered owned by the Agency while it is used for authorized programs. The West Virginia Department of Health and Human Resources has a reversionary interest in all furniture and equipment purchased with State funds. The disposition of such equipment and ownership of any proceeds therefore is subject to state regulations. The net book value of such assets was \$37,952 and \$30,947 at June 30, 2020 and 2019, respectively.

Property held for others and related liability

The Agency received a grant from West Virginia Department of Health and Human Resources on its behalf and on behalf of two separate behavioral health organizations to finance the development, construction, and renovation of residential substance use disorder treatment facilities. Grant funds received and related expenditures on behalf of the other two behavioral health organizations are recognized in property held for others asset and related liability accounts as of June 30, 2019. The property was transferred to the respective behavioral health organizations in June 2020.

(Continued)

**FMRS HEALTH SYSTEMS, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**Note 1. Organization and Significant Accounting Policies (Continued)**

Functional allocation of expenses

The financial statements report certain categories of expenses that are attributable to more than one supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Expenses have been allocated on the basis of management's estimates of usage, considering such factors as square footage and time and effort.

Net client service revenue

Net client service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated adjustments under reimbursement agreements with third-party payors. 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. Client service revenues is presented net of bad debt expense of \$302,221 and \$530,609 for the years ended June 30, 2020 and 2019.

Grant revenue

ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provided enhanced guidance regarding the treatment of grants and similar agreements as either contributions or exchange transactions, was implemented for the year ended June 30, 2020. The implementation of ASU 2018-08 did not have a material impact on the financial statements of the Agency.

The Agency analyzes grant agreements to determine whether such agreements constitute contributions or exchange transactions, and if determined to be contributions, whether such contributions are conditional or unconditional. The Agency has determined that substantially all of its grant agreements represent conditional contributions due to the agreements containing a right of return and containing certain barriers related to incurring qualifying expenditures. Conditional contributions are recognized as the Agency incurs qualifying expenditures in compliance with rules and regulations established by the grantor, which is typically a state or federal awarding agency. State grants are paid based on a schedule of payments as defined in the agreement. The Agency recognizes payments received as refundable advances until qualifying expenditures are incurred, at which time revenue is recognized. Any unused funds are forfeited and required to be refunded to the awarding agency. Grant revenue is recognized as revenues increasing net assets without donor restrictions when the conditions and restrictions are met in the same period, or when the grants were initially determined to be conditional contributions.

Income taxes

The Agency is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Agency has been classified as an organization that is not a private foundation.

Union employees

Certain portions of the Agency's workforce are members of a labor union. Terms of continued employment by these employees are contingent upon periodic negotiation of labor contract terms.

(Continued)

**FMRS HEALTH SYSTEMS, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**Note 1. Organization and Significant Accounting Policies (Continued)**

Subsequent Events

Subsequent events were considered through April 16, 2021, the date the financials were available to be issued.

**Note 2. Liquidity**

The following table reflects the Agency's financial assets as of June 30, 2020 and 2019, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, when assets are held for others, when restricted by donors, or because the governing board has set aside the funds for a specific contingency reserve. The Agency considers general expenditures to be all expenditures related to its ongoing activities of developing, operating, and maintaining mental health facilities and services for individuals residing in Fayette, Monroe, Raleigh, and Summers counties in West Virginia.

The Agency has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Agency maintains a \$1,000,000 line of credit as disclosed in Note 6.

Financial assets:	<b>2020</b>	<b>2019</b>
Cash and cash equivalents	\$ 3,412,971	\$ 1,517,466
Certificates of deposit	6,100,659	4,827,400
Grant, contract, client, and other receivables	2,470,863	3,310,286
Financial assets available to meet cash needs for general expenditures within one year	\$ 11,984,493	\$ 9,655,152

**Note 3. Conditional Contributions**

The Agency has conditional contributions available through September 2021, subject to certain conditions being met, such as incurring qualifying expenditures. Conditional contributions are as follows:

	<b>2020</b>	<b>2019</b>
West Virginia Department of Health and Human Resources		
Ryan Brown	\$ 949,594	\$ 2,733,774
Substance Abuse	368,821	678,198
Quick Response Team	138,672	-
State Opioid Response	236,506	-
Children's Wraparound	-	363,893
Children's Mental Health	153,214	192,624
Children's Mobile Crisis	-	165,678
Other	337,245	62,040
	2,184,052	4,196,207
Substance Abuse and Mental Health Service Administration:		
Resiliency for Appalachia	399,986	799,715
	\$ 2,584,038	\$ 4,995,922

**FMRS HEALTH SYSTEMS, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**Note 4. Accounts Receivable Concentrations of Credit Risk**

The Agency extends credit without collateral to its patients, most of whom qualify for Medicaid. The mix of receivables net of related allowances is as follows:

	<b>2020</b>	<b>2019</b>
Medicaid	66%	72%
Medicaid waiver	19	15
Other third-party payors	15	13
	100%	100%

**Note 5. Property and Equipment**

Property and equipment consisted of the following:

	<b>2020</b>	<b>2019</b>
Land	\$ 119,210	\$ 119,210
Leasehold improvements	720,618	715,037
Buildings and improvements	2,506,846	2,498,711
Furniture and equipment	1,253,879	1,246,240
Vehicles	1,008,909	963,678
Construction in progress	1,000	11,477
	5,610,462	5,554,353
Less accumulated depreciation	4,706,613	4,519,701
Total property and equipment	\$ 903,849	\$ 1,034,652

**Note 6. Line of Credit**

The Agency has a \$1,000,000 line of credit with a bank, with interest payable at prime rate plus 0.5%. There was no amount outstanding under this line of credit at June 30, 2020 and 2019. The line of credit is secured by accounts receivable.

**Note 7. Leases**

The Agency leases an office building from the State of West Virginia. The office building is leased on a year-to-year basis with annual lease payments equaling \$1. Revenue and corresponding rent expense have been recognized for the annual fair rental value of the leased facility in the amount of \$335,556 for each of the years ended June 30, 2020 and 2019.

**FMRS HEALTH SYSTEMS, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**Note 8. Revenue and Support**

As described in Note 1, the Agency receives revenue from a variety of sources. The Agency’s programs are dependent upon its respective federal and state sponsoring agencies obtaining adequate appropriation and the existence of sufficient tax revenues to fund such appropriations. Following is a summary of the major funding sources:

	<u>2020</u>	<u>2019</u>
West Virginia Department of Health and Human Resources:		
Bureau for Behavioral Health and Health Facilities	\$ 6,840,306	\$ 5,901,590
Medicaid	4,482,406	4,744,069
Medicaid Waiver	1,295,258	1,897,025
Other	<u>3,194,072</u>	<u>1,874,855</u>
	<u>\$ 15,812,042</u>	<u>\$ 14,417,539</u>

A significant reduction in the level of this support, if this were to occur, may have a significant impact on the Agency’s programs and activities.

**Note 9. Retirement Plan**

The Agency has a defined contribution profit sharing plan covering substantially all full-time employees. Employer contributions are 4% of each participant’s compensation for the profit sharing contribution. The Agency also makes a matching contribution of 100% of the first 3% of compensation that a participant contributes to the plan. Employer contributions for the years ended June 30, 2020 and 2019 were \$345,036 and \$416,212, respectively.

**Note 10. COVID-19**

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The COVID-19 outbreak in the United States has caused business disruptions through mandated and voluntary closings as well as a significant change in customer behaviors.

In an effort to mitigate the potential impact, the Agency applied for and received a Paycheck Protection Program (“PPP”) loan of \$1,502,900 granted by the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). Under the program terms, PPP loans are forgiven and recognized as grant revenue if the loan proceeds are used to maintain compensation costs and employee headcount, and other qualifying expenses (mortgage interest, rent, and utilities) incurred following receipt of the loan. The Agency is recognizing revenue as payroll and other qualifying expenses are incurred. As of June 30, 2020, the Agency has recognized \$819,374 of grant revenue with the remaining balance of \$683,526 included in refundable advances. The Agency expects to apply for forgiveness during 2021, and expects that all barriers will be met and the loan will be fully forgiven. If any portion of the loan is not forgiven, that portion will be repayable over a period of up to two years, including interest at one percent annum.

(Continued)

**FMRS HEALTH SYSTEMS, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**Note 10. COVID-19 (Continued)**

The Agency is not able to estimate the effects of the COVID-19 outbreak on its financial condition, liquidity, or results of operations given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread.



**SUPPLEMENTARY INFORMATION**

FMRS HEALTH SYSTEMS, INC.

SCHEDULE OF STATE AWARDS  
June 30, 2020

AWARDING AGENCY	GRANT NAME	GRANT IDENTIFICATION	PERIOD OF AWARD	TOTAL AWARD	FUNDS RECEIVED	FUNDS EXPENDED	UNEXPENDED BALANCE	RECEIVABLE (REFUNDABLE)
WVDHHR - BHHF	CONTINUUM ENHANCEMENT FUNDS	2019-0525-0506-2851-21900-3256-4231-COVID	07/01/2019 - 06/30/2020	\$ 167,021	\$ -	\$ 167,021	\$ -	\$ 167,021
		2020-0525-0506-2851-21900-3256-4231-13144	07/01/2019 - 06/30/2020	810,952	632,543	810,952	-	178,409
		<b>G200075 TOTAL</b>		<b>977,973</b>	<b>632,543</b>	<b>977,973</b>	<b>-</b>	<b>345,430</b>
WVDHHR - BHHF	LAW ENFORCEMENT ASSISTED DIVERSION	2018-0407-0506-3809-35401-3256-4231	01/01/2020 - 12/31/2020	134,011	34,040	38,303	95,708	4,263
		<b>G200898 TOTAL</b>		<b>134,011</b>	<b>34,040</b>	<b>38,303</b>	<b>95,708</b>	<b>4,263</b>
WVDHHR - BHHF	PERMANENT SUPPORT HOUSING GROUP HOME, RALEIGH CO.	2020-0525-0506-3743-21900-3256-4231	07/01/2019 - 06/30/2020	400,000	356,000	377,765	22,235	21,765
		2020-0525-0506-3115-21900-3256-4231	07/01/2019 - 06/30/2020	697,500	620,775	691,487	6,013	70,712
		2020-0525-0506-3115-21900-3256-4231-13688	07/01/2019 - 06/30/2020	95,813	85,274	93,013	2,801	7,739
		2020-0525-0506-3744-21900-3256-4231	07/01/2019 - 06/30/2020	155,911	138,761	152,279	3,632	13,518
		<b>G200138 TOTAL</b>		<b>1,349,224</b>	<b>1,200,810</b>	<b>1,314,544</b>	<b>34,681</b>	<b>113,734</b>
WVDHHR - BHHF	QUICK RESPONSE TEAM	2018-0407-0506-3809-35401-3256-4231	04/01/2020 - 03/31/2021	199,591	26,612	60,919	138,672	34,307
		<b>G200893 TOTAL</b>		<b>199,591</b>	<b>26,612</b>	<b>60,919</b>	<b>138,672</b>	<b>34,307</b>
WVDHHR - BHHF	INDIGENT CARE	2020-0525-0506-3065-21900-3256-4231	07/01/2019 - 06/30/2020	780,688	694,812	764,567	16,122	69,754
		<b>G200049 TOTAL</b>		<b>780,688</b>	<b>694,812</b>	<b>764,567</b>	<b>16,122</b>	<b>69,754</b>
WVDHHR - BHHF	LAW ENFORCEMENT ASSISTED DIVERSION	2018-0407-0506-3809-35401-3256-0000	05/01/2018 - 12/31/2019	60,000	29,811	13,811	94	-
		<b>G180843 TOTAL</b>		<b>60,000</b>	<b>29,811</b>	<b>13,811</b>	<b>94</b>	<b>-</b>
WVDHHR - BHHF	CHILDREN'S WRAPAROUND PROGRAM	2019-5107-0506-2916-09900-3256-4230-0000	10/01/2018 9/30/2019	421,875	140,201	80,201	143,067	-
		2020-5107-0506-2916-09900-3256-4230-0000	10/01/2018 9/30/2019	140,625	-	-	140,625	-
		<b>G190490 TOTAL</b>		<b>562,500</b>	<b>140,201</b>	<b>80,201</b>	<b>283,692</b>	<b>-</b>
WVDHHR - BHHF	CHILDREN'S WRAPAROUND PROGRAM	2020-0525-0506-2916-21900-3256-4230	10/01/2019 - 06/30/2020	551,297	205,358	140,260	411,037	(65,098)
		<b>G200707 TOTAL</b>		<b>551,297</b>	<b>205,358</b>	<b>140,260</b>	<b>411,037</b>	<b>(65,098)</b>
WVDHHR - BHHF	CHILDREN'S MOBILE CRISIS RESPONSE	2020-0525-0506-2916-21900-3256-4231	10/01/2019 - 06/30/2020	303,160	198,570	215,644	87,516	17,074
		<b>G200710 TOTAL</b>		<b>303,160</b>	<b>198,570</b>	<b>215,644</b>	<b>87,516</b>	<b>17,074</b>
WVDHHR - BHHF	CHILDREN'S MOBILE CRISIS RESPONSE	2018-0407-0506-3809-35401-3256-0000-13122	07/01/2018 - 09/30/2019	466,000	161,103	77,206	88,472	-
		<b>G190302 TOTAL</b>		<b>466,000</b>	<b>161,103</b>	<b>77,206</b>	<b>88,472</b>	<b>-</b>
WVDHHR - BHHF	EXPANDED SCHOOL BASED MENTAL HEALTH	2018-0525-0506-2916-21900-3256-4231-13132	07/01/2019 - 06/30/2020	90,000	63,000	81,599	8,401	18,599
		<b>G190214 TOTAL</b>		<b>90,000</b>	<b>63,000</b>	<b>81,599</b>	<b>8,401</b>	<b>18,599</b>
WVDHHR - BHHF	RYAN BROWN	2018-5111-0506-2891-13000-3256-0000	12/01/2017 - 06/30/2020	763,247	313,948	383,737	221,287	69,789
		2018-5112-0506-2891-09900-3256-0000	12/01/2017 - 06/30/2020	2,236,753	1,679,707	1,400,442	728,307	(279,265)
		<b>G180706 TOTAL</b>		<b>3,000,000</b>	<b>1,993,655</b>	<b>1,784,179</b>	<b>949,594</b>	<b>(209,476)</b>
WVDHHR - BHHF	COMMUNITY ENGAGEMENT SPECIALIST	2020-0525-0506-3701-21900-3256-4231	07/1/2019 - 06/30/2020	530,000	471,700	530,000	-	58,300
		<b>G200120 TOTAL</b>		<b>530,000</b>	<b>471,700</b>	<b>530,000</b>	<b>-</b>	<b>58,300</b>
WVDHHR - BHHF	JOBS & HOPE PEER RECOVERY	2019-0525-0506-2888-14901-3256-4231	09/01/2019 - 09/30/2020	120,000	57,200	40,776	79,224	(16,424)
		<b>G200611 TOTAL</b>		<b>120,000</b>	<b>57,200</b>	<b>40,776</b>	<b>79,224</b>	<b>(16,424)</b>
WVDHHR - BHHF	CRISIS STABILIZATION UNIT PILOT	2019-0525-0506-2884-21900-3256-4231	04/01/2020 - 09/30/2020	17,813	-	17,250	563	17,250
		<b>G200930 TOTAL</b>		<b>17,813</b>	<b>-</b>	<b>17,250</b>	<b>563</b>	<b>17,250</b>
WVDHHR - BHHF	SUBSTANCE ABUSE PER DIEM LEARN	2020-0525-0506-2891-21900-3256-4231-13688	10/01/2019 - 09/30/2020	127,752	65,580	51,520	76,232	(14,060)
		<b>G200723 TOTAL</b>		<b>127,752</b>	<b>65,580</b>	<b>51,520</b>	<b>76,232</b>	<b>(14,060)</b>
WVDHHR - BHHF	SUBSTANCE ABUSE PER DIEM MOTHER	2020-0525-0506-2891-21900-3256-4231-13688	10/01/2019 - 09/30/2020	166,076	97,432	48,878	117,199	(48,554)
		2020-0525-0506-2891-21900-3256-4231-13688	10/01/2019 - 09/30/2020	102,200	59,955	34,388	67,813	(25,568)
		2020-0525-0506-2891-21900-3256-4231-13129	10/01/2019 - 09/30/2020	637,500	374,001	529,922	107,578	155,921
		<b>G200714 TOTAL</b>		<b>905,776</b>	<b>531,388</b>	<b>613,188</b>	<b>292,590</b>	<b>81,799</b>
WVDHHR - BHHF	SUBSTANCE ABUSE PER DIEM MOTHER	2019-0525-0506-2891-21900-3256-4231-13688	10/01/2018-09/30/2019	166,076	18,375	18,375	90,529	-
		2019-0525-0506-2891-21900-3256-4231-13688	10/01/2018-09/30/2019	127,752	22,312	22,312	41,477	-
		2019-0525-0506-2891-21900-3256-4231-13688	10/01/2018-09/30/2019	102,200	12,617	12,617	45,010	-
		2019-0525-0506-2891-21900-3256-4231-13129	10/01/2018-09/30/2019	637,500	141,928	141,928	52,258	-
		2019-0525-0506-2591-21900-3256-4231-13142	10/01/2018-09/30/2019	20,000	20,000	20,000	-	-
		<b>G190555 TOTAL</b>		<b>1,053,528</b>	<b>215,232</b>	<b>215,232</b>	<b>229,274</b>	<b>-</b>
<b>TOTAL BUREAU FOR BEHAVIORAL HEALTH AND HEALTH FACILITIES</b>				<b>\$ 11,229,313</b>	<b>\$ 6,721,615</b>	<b>\$ 7,017,172</b>	<b>\$ 2,791,872</b>	<b>\$ 455,452</b>
<b>PASS-THROUGH PROGRAMS:</b>								
Seneca Health Services, Inc.								
QRT						25,351		
Southern Highland Community Mental Health Center:								
FAMILY SUPPORT						21,523		
CES CONSUMER NEEDS						35,434		
<b>Total Expenditures of State Awards</b>				<b>\$ 11,229,313</b>	<b>\$ 6,721,615</b>	<b>\$ 7,099,480</b>	<b>\$ 2,791,872</b>	<b>\$ 455,452</b>

See Independent Auditor's Report.



**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  
FMRS Health Systems, Inc.  
Beckley, 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 FMRS Health System, Inc. (the Agency), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year ended June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated April 16, 2021

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) as a basis for designing 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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

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

Our consideration of 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 the Agency'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 financial statements. 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*.

### **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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
CERTIFIED PUBLIC ACCOUNTANTS

Charleston, West Virginia  
April 16, 2021



**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  
FMRS Health Systems, Inc.  
Beckley, West Virginia

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

We have audited FMRS Health Systems, Inc.'s (the "Agency") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Agency's major federal program for the year ended June 30, 2020. The Agency's major federal program is 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 the Agency's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency'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 the Agency's compliance.

**Opinion on Each Major Federal Program**

In our opinion, FMRS Health Systems, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

## Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2020-001. Our opinion on the major federal program is not modified with respect to these matters.

The Agency's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Agency's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## Report on Internal Control over Compliance

Management of the Agency 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 the Agency's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 a 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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

  
CERTIFIED PUBLIC ACCOUNTANTS

Charleston, West Virginia  
April 16, 2021

**FMRS HEALTH SYSTEMS, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended June 30, 2020**

<u>Federal Granting Agency / Recipient State Agency</u>	<u>Federal Catalog Number</u>	<u>Pass-through Entity Identifying</u>	<u>Total Federal Expenditures</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Substance Abuse and Mental Health Services Administration			
Center for Mental Health Services:			
Programs of Regional and National Significance:			
Resiliency for Appalachia (RAPP)	93.243	N/A	\$ 364,157
Programs to Improve Community Mental Health Services:			
FMRS CCBHC Expansion Initiative	93.829	N/A	67,101
Pass-Through Programs:			
<u>West Virginia Department of Health and Human Services:</u>			
Substance Abuse Block Grant:			
SA Treatment Provider Recovery Facility (MOTHER)	93.959	8793-13000	421,388
SA Treatment Provider Recovery Facility (LEARN)	93.959	8793-13000	285,672
Regional Youth Service Center	93.959	8793-13000	285,569
Crisis Stabilization Unit Pilot	93.959	8793-13001	17,289
Mental Health Block Grants:			
First Episode Psychosis	93.958	8794-13000	66,477
Programs of Regional and National Significance:			
Regional Young Intervention Specialist	93.243	8723-13000	43,038
Services for Children with Serious Emotional Disturbances:			
SOC Family Coordinator	93.104	8723-13000	2,532
Opioid STR	93.788	8723-13000	383,494
<u>Southern Highlands Community Mental Health Center:</u>			
Programs of Regional and National Significance:			
MAT Access for Rural Appalachians (MARA)	93.243	Not Provided	<u>142,243</u>
			<u>\$ 2,078,960</u>

**FMRS HEALTH SYSTEMS, INC.**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2020**

**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of FMRS Health Systems, Inc., under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirement of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

**Note 2. 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.

**Note 3. Indirect Cost**

FMRS Health Systems, Inc. has not elected to use the de minimis 10% rate. They have a negotiated rate in place.



FMRS HEALTH SYSTEMS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2020

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **No significant deficiencies** relating to the audit of the financial statements are reported in the 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*.
3. **No instances of noncompliance** material to the financial statements were disclosed during the audit.
4. **No significant deficiencies** relating to the audit of the major federal award program was reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance in Accordance with the Uniform Guidance.
5. The auditor's report on compliance for the major federal award program expresses an **unmodified opinion**.
6. The audit disclosed **one audit finding** relating to the major program.
7. The program tested as major program include:

<u>Name of Program:</u>	<u>CFDA #</u>
Block Grants for Prevention and Treatment of Substance Abuse	93.959

8. The **threshold for** distinguishing Type A and B programs was **\$750,000**.
9. The Agency was determined to be a **low-risk auditee**.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAM AUDIT

2020-001: Block Grants for Prevention and Treatment of Substance Abuse -CFDA# 93.959, Procurement Policies and Procedures

*Condition:*

The Agency does not have complete, written procurement policies that are in compliance with the standards required by the Uniform Guidance (2 CFR Part 200).

*Criteria:*

Under the requirements in the Uniform Guidance, all entities are required to have written procurement policies that conform to applicable Federal laws and regulations and standards. The complete procurement standards are located at 2 CFR Part 200, Sections 317 through 326.

**FMRS HEALTH SYSTEMS, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2020**

**C. FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAM AUDIT  
(Continued)**

*Cause:*

Management has not updated procurement policies in accordance with the Uniform Guidance.

*Effect:*

The lack of complete, written policies could result in an improper procurement using Federal funds.

*Recommendation:*

Management should draft and implement written procurement procedures to align with the Uniform Guidance requirements for all purchases to be made with Federal funds.

*Views of Responsible Officials and Planned Corrective Actions:*

Management and Board of Directors prepared and approved policies and procedures to comply with the Uniform Guidance in December 2020.

**FMRS HEALTH SYSTEMS, INC.**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended June 30, 2020**

**2019-001: Block Grants for Prevention and Treatment of Substance Abuse -CFDA# 93.959,  
Procurement Policies and Procedures**

*Condition:*

The Agency did not have complete, written procurement policies that are in compliance with the standards required by the Uniform Guidance (2 CFR Part 200).

*Recommendation:*

We recommended management draft and implement written procurement procedures to align with the Uniform Guidance requirements for all purchases to be made with Federal funds.

*Current Status:*

Procurement policies and procedures were implemented, however, since the implementation occurred in December 2020, a similar finding was reported at 2020-001.



# FMRS Health Systems, Inc.

## Corrective Action Plan

101 S. Eisenhower Dr.  
Beckley, WV 25801  
Phone: (304) 256-7100  
Fax: (304) 256-7111

The Federal Audit Clearinghouse:

FMRS Health Systems, Inc. respectfully submits the following corrective action plan for the year ended June 30, 2020.

Independent public accounting firm:  
Brown, Edwards and Company, L.L.P.  
707 Virginia St E, Charleston, WV 25301

209 W. Maple Ave.  
Fayetteville, WV 25840  
Phone: (304) 574-2100  
Fax: (304) 574-2151

Audit period: June 30, 2020

The finding from the June 30, 2020 schedule of findings and questioned costs are discussed below. The finding is numbered consistently with the number assigned in the schedule.

198 Pleasant St.  
Hinton, WV 25951  
Phone: (304) 466-3899  
Fax: (304) 466-5548

### **FINDINGS - FEDERAL AW ARD PROGRAM AUDIT**

2020-001: Block Grants for Prevention and Treatment of Substance Abuse -CFDA# 93.959,  
Procurement Policies and Procedures

#### *Condition:*

The Agency did not have complete, written procurement policies in compliance with the standards required by the Uniform Guidance (2 CFR Part 200) in place during audit period.

#### *Criteria:*

Under the requirements in the Uniform Guidance, all entities are required to have written procurement policies that conform to applicable Federal laws and regulations and standards.

The complete procurement standards are located at 2 CFR Part 200, Sections 317 through 326.

#### *Cause:*

Management has not updated procurement policies in accordance with the Uniform Guidance.

#### *Effect:*

The lack of complete, written policies could result in an improper procurement using Federal funds.

P.O. Box 527  
Union, WV 24983  
Phone: (304) 772-5452  
Fax: (304) 772-4252

*Recommendation:*

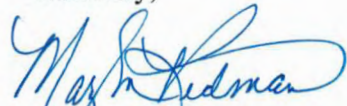
Subsequent to year end, management implemented written procurement procedures that align with the Uniform Guidance requirements for all purchases to be made with Federal funds.

*Views of Responsible Officials and Planned Corrective Actions:*

Management and Board of Directors updated all agency policies and procedures to comply with the Uniform Guidance.

The new Procurement Policy was approved by the board at the December 14, 2020 board meeting. If the Federal Audit Clearinghouse has questions regarding this plan, please call Mary Redman, FMRS Health Systems, Inc., Chief Administrative Officer, 304-256-7100.

Sincerely,



Mary M. Redman  
Chief Administrative Officer