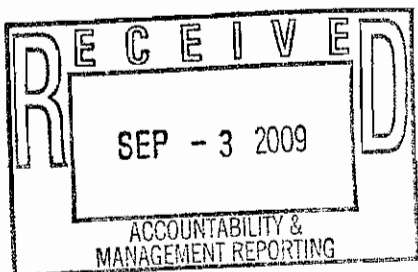

**West Virginia Mental Health
Consumers' Association, Inc.**

**Independent Auditors' Report
and
Financial Statements**

June 30, 2008



West Virginia Mental Health Consumers' Association, Inc.

Table of Contents

| | <u>Page</u> |
|--|-------------|
| Independent Auditors' Report | 1 |
| Financial Statements | |
| Statement of Assets, Liabilities and Net Assets - Modified Cash Basis | 2 |
| Statement of Support, Revenue and Expenses - Modified Cash Basis | 3 |
| Notes to Financial Statements | 4-8 |
| Supplementary Information | |
| Independent Auditors' Report on Supplementary Information | 9 |
| Schedule of OBHS Funding Status and Equipment Purchased with OBHS Administered Funds | 10 |
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 11-12 |
| Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 | 13-15 |
| Schedule of Expenditures of Federal Awards | 16-17 |
| Summary Schedule of Prior Audit Findings | 18 |
| Schedule of Findings and Questioned Costs | 19-20 |

Herman & Cormany

Certified Public Accountants, A.C.

Accountants & Consultants

Independent Auditors' Report

To the Board of Directors
West Virginia Mental Health
Consumers' Association, Inc
Charleston, West Virginia

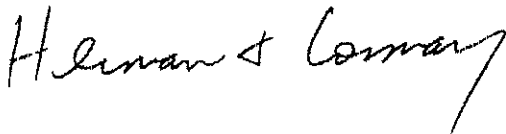
We have audited the accompanying statement of assets, liabilities and net assets - modified cash basis of West Virginia Mental Health Consumers' Association, Inc. (a nonprofit organization) as of June 30, 2008, and the related statement of support, revenue and expenses - modified cash basis for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the West Virginia Mental Health Consumers' Association, Inc.'s 2007 financial statements and, in our report dated June 24, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note A, the Association prepares its financial statements on the basis of cash receipts and disbursements except that certain payroll tax withholdings and liabilities and depreciation are recorded. This basis is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of West Virginia Mental Health Consumers' Association, Inc. as of June 30, 2008, and its support, revenue and expenses for the year then ended, on the basis of accounting described in Note A.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2009 on our consideration of West Virginia Mental Health Consumers' Association, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Charleston, WV
August 26, 2009

1031 Quarrier Street, Suite 511 • Charleston, WV 25301-2397 • (304) 345-2320 • (304) 345-2325 fax
www.herman-cormanycpas.com



West Virginia Mental Health Consumers' Association, Inc.
Statement of Assets, Liabilities, and Net Assets - Modified Cash Basis

**June 30, 2008, with Comparative Totals
as of June 30, 2007**

| | <u>2008</u> | <u>2007</u> |
|---|------------------|------------------|
| Assets | | |
| Cash | \$ 55,987 | \$105,557 |
| Advances | <u>685</u> | <u>500</u> |
| Total Assets | <u>\$ 56,672</u> | <u>\$106,057</u> |
| | | |
| Liabilities and Net Assets | | |
| | | |
| Liabilities | | |
| Payroll taxes and withholdings | \$ 3,318 | \$ 11,353 |
| Notes payable | <u>24,680</u> | <u>-0-</u> |
| Total Liabilities | <u>27,998</u> | <u>11,353</u> |
| | | |
| Net Assets | | |
| Unrestricted | (61,073) | 94,704 |
| Temporarily restricted | <u>89,747</u> | <u>-0-</u> |
| Total Net Assets | <u>28,674</u> | <u>94,704</u> |
| | | |
| Total Liabilities and Net Assets | <u>\$ 56,672</u> | <u>\$106,057</u> |

See independent auditors' report and notes to financial statements.

West Virginia Mental Health Consumers' Association, Inc.
Statement of Support, Revenue and Expenses – Modified Cash Basis
Year Ended June 30, 2008, with Comparative
Totals for the Year Ended June 30, 2007

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> | <u>2007 Total</u> |
|--|---------------------|-----------------------------------|------------------|-----------------------|
| Revenues, Gains and Other Support | | | | |
| Grants | | | | |
| Department of Health and Human Services | \$ -0- | \$ 28,000 | \$ 28,000 | \$ 453,354 |
| WV Department of Health and Human Resources-Federal funds | -0- | 528,875 | 528,875 | 508,758 |
| WV Department of Health and Human Resources-State funds | -0- | 768,399 | 768,399 | 795,544 |
| NASTAC | -0- | 10,000 | 10,000 | -0- |
| Mary Ellen Copeland | -0- | 25,000 | 25,000 | -0- |
| Conference fees | -0- | -0- | -0- | 211,796 |
| Prester Center for Mental Health Services | 3,680 | -0- | 3,680 | 10,000 |
| Contributions | 4,696 | -0- | 4,696 | 1,075 |
| Service revenues | 89,507 | -0- | 89,507 | 77,526 |
| Rental income | 30,291 | -0- | 30,291 | 47,510 |
| Net assets released from restrictions: | | | | |
| Satisfaction of grant and program activities | <u>1,270,527</u> | <u>(1,270,527)</u> | <u>-0-</u> | <u>-0-</u> |
| Total Revenues, Gains, and Other Support | <u>1,398,701</u> | <u>89,747</u> | <u>1,488,448</u> | <u>2,105,563</u> |
| Expenses and Losses | | | | |
| Grants | | | | |
| Department of Health and Human Services | 28,000 | -0- | 28,000 | 534,157 |
| WV Department of Health and Human Resources-Federal funds | 523,599 | -0- | 523,599 | 508,758 |
| WV Department of Health and Human Resources-State funds | 701,706 | -0- | 701,706 | 820,372 |
| NASTAC | 70 | -0- | 70 | 5,820 |
| Mary Ellen Copeland | 17,152 | -0- | 17,152 | 5,720 |
| Freedom House and other rental expenses | 45,944 | -0- | 45,944 | 68,977 |
| Nongrant program and conference expenses | 203,206 | -0- | 203,206 | 22,256 |
| General and administrative | <u>34,801</u> | <u>-0-</u> | <u>34,801</u> | <u>86,844</u> |
| Total Expenses and Losses | <u>1,554,478</u> | <u>-0-</u> | <u>1,554,478</u> | <u>2,052,904</u> |
| Change in Net Assets | (155,777) | 89,747 | (66,030) | 52,659 |
| Net Assets, Beginning of Year | <u>94,704</u> | <u>-0-</u> | <u>94,704</u> | <u>42,045</u> |
| Net Assets, End of Year | \$ (61,073) | \$ 89,747 | \$ 28,674 | \$ 94,704 |

See independent auditors' report and notes to financial statements

West Virginia Mental Health Consumers' Association, Inc.

Notes to Financial Statements

June 30, 2008, with Comparative Totals
as of June 30, 2007

Note A – Summary of Significant Accounting Policies

Operations - The Association was formed on October 21, 1987 to achieve the best possible community mental health system for all citizens of West Virginia through a coalition between mental health consumers and other citizens, organizing support groups, promoting equality of opportunity for gainful employment, conducting conferences for consumers, management of a statewide toll-free support line for information and informal support, and operation of nine regional satellite support centers throughout West Virginia. The Association's revenue resources consist primarily of federal and state grants, in addition to contributions and other service and rental revenues received.

Basis of Accounting - The accompanying financial statements have been prepared on the basis of cash receipts and disbursements except that certain payroll tax withholdings and liabilities and depreciation are recorded. This basis is a comprehensive basis of accounting other than generally accepted accounting principles.

Basis of Presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Classification of Support - The Association reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported on the statement of activities as net assets released from restrictions.

Comparative Totals - The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conformity with the Association's financial statements for the year ended June 30, 2007, from which the summarized information was derived.

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

West Virginia Mental Health Consumers' Association, Inc.

Notes to Financial Statements

June 30, 2008, with Comparative Totals
as of June 30, 2007

Note A – Summary of Significant Accounting Policies (Continued)

Vehicles – Vehicles are recorded at cost. Depreciation is computed by the straight-line method over the estimated useful lives of the assets. Depreciation expense for the year ended June 30, 2007 was \$4,878. No depreciation expense was recorded during the year ended June 30, 2008 since the asset was fully depreciated as of June 30, 2007. These capitalized items are not reflected in the accompanying financial statements as of June 30, 2008 and 2007 since their net book value is -0- as of the end of those years. The amounts are as follows:

| | <u>2008</u> | <u>2007</u> |
|-------------------------------|---------------|---------------|
| Vehicles | \$28,466 | \$28,466 |
| Less accumulated depreciation | <u>28,466</u> | <u>28,466</u> |
| | <u>\$ -0-</u> | <u>\$ -0-</u> |

Additionally, the Association has purchased office equipment and furniture utilizing grant funds received. These assets are expensed when purchased since the ownership of these assets remains with the agencies who provided the grant funds. The Association maintains an inventoried list of these items purchased, by program. Thus, assets are not recorded in the accompanying financial statements for items and no depreciation or use allowance is recognized over the life of the assets.

Donated Services and Goods – The Association receives donated services through volunteer time. No amounts are reflected in the financial statements due to the nature of the services received. The Association generally pays for services requiring specific expertise. Additionally, the Association receives a discounted rate for the rental of some of its locations. The discounted rates are not determined at year end and are not recorded in the accompanying financial statements.

Income Taxes - The Association is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

The Association has been classified as an organization that is not a private foundation under Section 509(a)(2) of the Internal Revenue Code and qualifies for the 50% charitable contributions deduction for individual donors.

Reclassifications – Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

West Virginia Mental Health Consumers' Association, Inc.

Notes to Financial Statements

**June 30, 2008, with Comparative Totals
as of June 30, 2007**

Note B – Temporarily Restricted Net Assets

Temporarily restricted net assets of \$89,747 and \$-0- at June 30, 2008 and 2007, respectively, consists of grant awards received in excess of expenditures incurred. The release of these assets from their restriction occurs when the intended purpose of the expenditure is incurred and paid. The temporarily restricted net assets are derived from the following sources:

| | 2008 | 2007 |
|--|-----------------|---------------|
| West Virginia Department of Health and Human Resources – Federal Funds | \$ 5,276 | \$ -0- |
| West Virginia Department of Health and Human Resources – State Funds | 66,693 | -0- |
| NASTAC | 9,930 | -0- |
| Mary Ellen Copeland | 7,848 | -0- |
| | \$89,747 | \$ -0- |

Note C – Net Assets Released From Restrictions

Net assets were released from donor and grant restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors for the years ended June 30, 2008 and 2007 as follows:

| Purpose restriction accomplished: | 2008 | 2007 |
|---|--------------------|--------------------|
| Grants | | |
| Department of Health and Human Services | \$ 28,000 | \$ 534,157 |
| WV Department of Health and Human Resources-Federal Funds | 523,599 | 508,758 |
| WV Department of Health and Human Resources-State Funds | 701,706 | 820,372 |
| NASTAC | 70 | 5,820 |
| Mary Ellen Copeland | 17,152 | 5,720 |
| | \$1,270,527 | \$1,874,827 |

West Virginia Mental Health Consumers' Association, Inc.

Notes to Financial Statements

June 30, 2008, with Comparative Totals
as of June 30, 2007

Note D – Program and Other Expenditures

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

Expenditures for the year ended June 30, 2008, with comparative totals as of June 30, 2007, are as follows:

| | <u>Grant and Supporting Activities</u> | <u>General and Administrative</u> | <u>2008 Total</u> | <u>2007 Total</u> |
|-------------------------|--|---------------------------------------|-----------------------|-----------------------|
| Salaries and fringes | \$ 783,507 | \$ 35 | \$ 783,542 | \$ 873,403 |
| Telephone and utilities | 98,954 | 889 | 99,843 | 132,394 |
| Rent | 115,901 | 900 | 116,801 | 137,459 |
| Equipment | 8,948 | -0- | 8,948 | 12,613 |
| Program and office | 67,302 | 4,606 | 71,908 | 111,489 |
| Travel and training | 303,887 | 7,952 | 311,839 | 479,054 |
| Printing | 7,553 | -0- | 7,553 | 25,884 |
| Postage | 7,250 | -0- | 7,250 | 9,521 |
| Insurance | 10,924 | 2,138 | 13,062 | 21,082 |
| Professional services | 89,320 | 12,288 | 101,608 | 262,831 |
| Other | 26,131 | 5,993 | 32,124 | 18,601 |
| | <u>\$1,519,677</u> | <u>\$34,801</u> | <u>\$1,554,478</u> | <u>\$2,084,331</u> |

Note E – Concentration of Funds

The Association maintains the majority of its cash balances in a financial institution in Kanawha County, West Virginia. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. Any aggregate amounts in these accounts in excess of \$250,000 may not be insured.

Additionally, the Association receives a significant portion of its support from federal and state government agencies. A material reduction in the level of support provided by these agencies would have a significant impact on the Association's programs and activities, and its ability to continue as a going concern.

Note F – Pension Plan

The Association maintains a 401(k) plan for the benefit of its employees. Full-time employees who have completed one year of service and have elected to participate in the plan receive a contribution of 1% of their salary. Contributions to the plan for the years ended June 30, 2008 and 2007 totalled \$3,914 and \$3,796, respectively.

West Virginia Mental Health Consumers' Association, Inc.

Notes to Financial Statements

**June 30, 2008, with Comparative Totals
as of June 30, 2007**

Note G – Notes Payable

Notes payable at June 30, 2008 and 2007 consists of \$25,000 line of credit, bearing interest at 6% and is payable upon demand. The line of credit is securitized by the receivables, inventory, and other assets of the Organization. Currently, the bank requires an interest only payment on a monthly basis. The balance on the line of credit was \$24,680 and \$-0- at June 30, 2008 and 2007

The Association's total interest expense for the years ended June 30, 2008 and 2007 was \$681 and \$189, respectively

Supplementary Information

7

Herman & Cormany

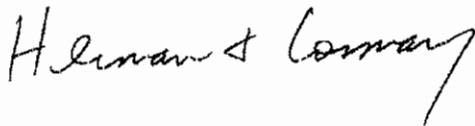
Certified Public Accountants, A.C.

Accountants & Consultants

Independent Auditors' Report on Supplementary Information

To the Board of Directors
West Virginia Mental Health
Consumers' Association, Inc.
Charleston, West Virginia

Our report on our audit of the basic financial statements of West Virginia Mental Health Consumers' Association, Inc. for the year ended June 30, 2008 appears on page 1. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on page 10 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Charleston, West Virginia
August 26, 2009

West Virginia Mental Health Consumers' Association, Inc.
Schedule of OBHS Funding Status and Equipment Purchased
With OBHS Administered Funds

For the Year Ended June 30, 2008

| <u>State Grant Number</u> | <u>FY 2008 Allocation Amount</u> | <u>FY 2007 Deferred Revenue</u> | <u>FY 2008 Amount Invoiced</u> | <u>FY 2008 Qualifying Expenses Per Audit</u> | <u>FY 2008 Deferred Revenue</u> |
|------------------------------------|--|---|--|--|---|
| 0525-2008-2851-219-252 | \$ 116,019 | \$ -0- | \$ 116,019 | \$ 116,019 | \$ -0- |
| 0525-2007-3701-219-252 | 158,120 | -0- | 158,120 | 141,491 | 16,629 |
| 0525-2008-3041-219-252 | 200,000 | -0- | 200,000 | 199,706 | 294 |
| 0525-2008-2870-219-252 | 85,700 | -0- | 85,700 | 75,460 | 10,240 |
| 0525-2008-2891-219-252 | <u>200,000</u> | <u>-0-</u> | <u>200,000</u> | <u>160,470</u> | <u>39,530</u> |
| State Grant Total | <u>759,839</u> | <u>-0-</u> | <u>759,839</u> | <u>693,146</u> | <u>66,693</u> |
| <u>Federal Grant Number</u> | | | | | |
| 8794-2008-2852-096-128 | 389,580 | -0- | 389,580 | 389,580 | -0- |
| 8723-2008-2914-096-128 | 89,412 | -0- | 47,070 | 47,070 | -0- |
| 8794-2008-2916-096-128 | 15,649 | -0- | 15,649 | 10,373 | 5,276 |
| 9723-2008-2852-096-128 | <u>72,000</u> | <u>-0-</u> | <u>72,000</u> | <u>72,000</u> | <u>-0-</u> |
| Federal Grant Total | <u>566,641</u> | <u>-0-</u> | <u>524,299</u> | <u>519,023</u> | <u>5,276</u> |
| Total Grant Funds | <u>\$1,326,480</u> | <u>\$ -0-</u> | <u>\$1,284,138</u> | <u>\$1,212,169</u> | <u>\$71,969</u> |

Schedule of OBHS Funds Utilized For Equipment Purchases:

None

NOTE: Deferred revenues are detailed above due to the financial statements being prepared on the modified cash basis of accounting. Expenses were incurred in June, 2008, but were paid in July, 2008, to eliminate the deferred revenues recorded in this schedule. These amounts are recorded as temporarily restricted net assets in the accompanying financial statements. Additionally, the total expenses listed above do not agree to the amounts recognized on the Statement of Activities due to the modified cash basis accounting being utilized. Some carryover expenses from the prior year were expended in the current year and are not reflected above.

See independent auditors' report on supplementary information.

Herman & Cormany

Certified Public Accountants, A.C.

Accountants & Consultants

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
West Virginia Mental Health Consumers' Association, Inc.
Charleston, West Virginia

We have audited the financial statements of West Virginia Mental Health Consumers' Association, Inc. (a nonprofit organization) as of and for the year ended June 30, 2008, and have issued our report thereon dated August 26, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered West Virginia Mental Health Consumers' Association, Inc.'s internal control over financial reporting 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 West Virginia Mental Health Consumers' Association, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Association's financial statements that is more than inconsequential will not be prevented or detected by the Association's internal control. We consider deficiencies 2008-1 and 2008-2 described in the accompany schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

1031 Quarrier Street, Suite 511 • Charleston, WV 25301-2397 • (304) 345-2320 • (304) 345-2325 fax
www.herman-cormanycpas.com



To the Board of Directors
West Virginia Mental Health Consumers' Association, Inc.
Page two

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 2008-1 to be a material weakness.

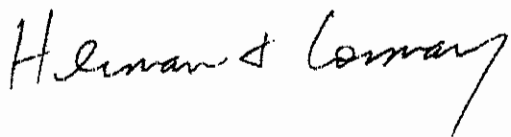
Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Virginia Mental Health Consumers' Association, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2008-1.

We noted certain matters that we reported to management of West Virginia Mental Health Consumers' Association, Inc. in a separate letter dated August 26, 2009.

West Virginia Mental Health Consumers' Association, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit West Virginia Mental Health Consumers' Association, Inc.'s response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board of directors, management, and the federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Charleston, West Virginia
August 26, 2009

Herman & Cormany

Certified Public Accountants, A.C.

Accountants & Consultants

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Board of Directors
West Virginia Mental Health Consumers'
Association, Inc.
Charleston, West Virginia

Compliance

We have audited the compliance of West Virginia Mental Health Consumers' Association, Inc (a nonprofit organization) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. West Virginia Consumers' Health Association, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of West Virginia Mental Health Consumers' Association, Inc.'s management. Our responsibility is to express an opinion on West Virginia Consumers' Health Association, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about West Virginia Mental Health Consumers' Association, 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. Our audit does not provide a legal determination of West Virginia Consumers' Health Association, Inc.'s compliance with those requirements.

As described in item 2008-1 in the accompanying schedule of findings and questioned costs, West Virginia Mental Health Consumers' Association, Inc. did not comply with requirements regarding reporting that are applicable to its Department of Health and Human Resources major program. Compliance with such requirements is necessary, in our opinion, for West Virginia Mental Health Consumers' Association, Inc. to comply with requirements applicable to that program.

1031 Quarrier Street, Suite 511 • Charleston, WV 25301-2397 • (304) 345-2320 • (304) 345-2325 fax
www.herman-cormanycpas.com



In our opinion, except for the noncompliance described in the preceding paragraph, West Virginia Mental Health Consumers' Association, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of West Virginia Mental Health Consumers' Association, Inc is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered West Virginia Mental Health Consumers' Association, Inc 's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 West Virginia Mental Health Consumers' Association, Inc 's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as described below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. *A significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs at items 2008-1 and 2008-2.

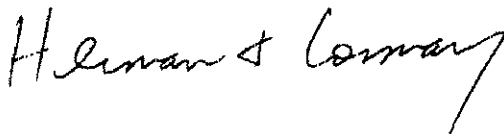
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider item 2008-1 to be a material weakness.

West Virginia Mental Health Consumers' Association, Inc 's response to the findings identified on our audit are described in the accompanying schedule of findings and questioned costs. We did not audit West Virginia mental Health Consumers' Association, Inc 's response, and accordingly, we express no opinion on it.

Schedule of Expenditures of Federal and State Awards

We have audited the basic financial statements of West Virginia Mental Health Consumers' Association, Inc as of and for the year ended June 30, 2008, and have issued our report thereon dated August 26, 2009. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the board of directors, management, others within the organization, and the various federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Charleston, West Virginia
August 26, 2009

West Virginia Mental Health Consumers' Association, Inc.

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2008

| <u>Federal Grantor/State Pass-Thru Agency</u> | <u>CFDA Number</u> | <u>SAPO Number</u> | <u>Grant Number</u> | <u>Amount</u> |
|---|--------------------|--------------------|----------------------------|------------------|
| Department of Health and Human Services Substance Abuse and Mental Health Services | 93 243 | N/A | 4KD1SM56670-03-1 | <u>\$ 28,000</u> |
| Department of Health and Human Services Passed Through the West Virginia Department of Health and Human Resources | | | | |
| PATH Grant | 93 150 | G080079 | 8723-2008-2852- 096-128 | 60,871 |
| CMHS Block Grant | 93 958 | G080079 | 8794-2008-2914- 096-128 | 52,750 |
| CMHS Block Grant | 93 958 | G080079 | 8794-2008-2916- 096-128 | 10,373 |
| CMHS Block Grant | 93 958 | G070058 | 8794-2007-2852- 096-128 | 10,025 |
| CMHS Block Grant | 93 958 | G080079 | 8794-2008-2852- 096-128 | <u>389,580</u> |
| | | | | <u>523,599</u> |
| | | | | <u>\$551,599</u> |

Note A – Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of West Virginia Mental Health Consumers' Association, Inc. and is presented on the modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented may differ from amounts presented in, or used in the preparation of, the basic financial statements.

West Virginia Mental Health Consumers' Association, Inc.
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2008

Note B – State Grants Received

In addition to the federal grant awards detailed in this schedule, the Association also received various state grant awards during the year. The total amount expended under state grant awards during the year ended June 30, 2008 is as follows:

| | <u>Grant Number</u> | <u>Amount</u> |
|----------------------------|------------------------|------------------|
| Behavioral Health Programs | 0525-2008-2870-219-252 | \$ 75,460 |
| Behavioral Health Programs | 0525-2007-2851-219-258 | 8,560 |
| Behavioral Health Programs | 0525-2008-2851-219-252 | 116,019 |
| Behavioral Health Programs | 0525-2008-2891-219-252 | 160,470 |
| Behavioral Health Programs | 0525-2008-3041-219-252 | 199,706 |
| Behavioral Health Programs | 0525-2007-3701-219-252 | <u>141,491</u> |
| | | <u>\$701,706</u> |

West Virginia Mental Health Consumers' Association, Inc.

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2007

SIGNIFICANT DEFICIENCY

2007-1 General Ledger Reconciliations

Condition: On a monthly basis, the Association is performing reconciliations of certain accounts, but the amounts are not reconciled on a continuing basis to the general ledger

Recommendations At the conclusion of each month, at a minimum, all balance sheet accounts should be reconciled on a monthly basis and adjusted on the general ledger in order to provide management with accurate financial statements on an ongoing basis.

Current Status. The condition remains in existence at June 30, 2008 and is reported as part of deficiency 2008-1 in the schedule of findings and questioned costs

West Virginia Mental Health Consumers' Association, Inc.

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2008

Section 1 – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unqualified

- Control deficiencies disclosed? Yes No
 - Control deficiencies reported as a significant deficiency? Yes No
 - Control deficiencies reported as a material weakness? Yes No
- Noncompliance material to financial statements notes? Yes No

Federal Awards

Internal control over major programs:

- Control deficiencies identified? Yes No
- Control deficiencies reported as a significant deficiency? Yes No
- Control deficiencies reported as material weaknesses? Yes No

Type of auditors' report issued on compliance for major programs: unqualified

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

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

93 958

CMHS Block Grant

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes No

West Virginia Mental Health Consumers' Association, Inc.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2008

Section II - Financial Statement Findings

2008-1 General Ledger Reconciliations

Condition. Upon determining the reconciled balance of the assets and liabilities of the Association as of June 30, 2008, those amounts did not agree to the amounts recorded on the general ledger. There were no questioned costs noted.

Criteria: Prior to the beginning of our audit, all significant accounts should be reconciled and adjusted.

Effect: The general ledger, on an ongoing basis, does not accurately reflect all account balances.

Recommendation. The Association, on a regular monthly basis, should reconcile its accounts and ensure that these reconciled balances agree to the amounts recorded per the general ledger.

2008-2 Payroll Records Maintenance

Condition. During the testing of employee records during the year, the time sheets were not properly prepared to reflect the programs that the employee worked for. Through discussions with staff and other procedures, there were no questioned costs noted.

Criteria: Time records should reflect the amount of time spent by program in order to properly allocate costs to the program.

Effect: The time records of the Association do not accurately reflect on a consistent basis for all employees the time spent by program. Thus, supporting documentation for charges to programs may not be available for all employees on the time sheets prepared.

Recommendation. For each time period and employee, the time sheets should accurately detail, by program, the amount of time spent that can be reconciled back to the amount charged to the general ledger.

Section III – Federal Award Findings and Questioned Costs

Item: 2008-1 as described in Section II. The federal program affected is as follows:

| | |
|--|--------|
| Department of Health and Human Services Passed Through the West Virginia | |
| Department of Health and Human Resources | |
| CMHS Block Grant | 93,958 |