Audited Financial Statements

LOGAN MINGO AREA MENTAL HEALTH

Years Ended June 30, 2015 and 2014

GIBBONS&KAWASH

Certified Public Accountants

Audited Financial Statements

LOGAN-MINGO AREA MENTAL HEALTH, INC.

Years Ended June 30, 2015 and 2014

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GIBBONS & KAWASH
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Logan Mingo Area Mental Health, Inc. (the Center) which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Logan Mingo Area Mental Health, Inc. as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2016, on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

Gibbons & Kawash, A.C.

Charleston, West Virginia
June 21, 2016

DHHR - Finance

JUL 18 2016

Date Received

LOGAN MINGO AREA MENTAL HEALTH, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2015 and 2014

ASSETS	2015	2014
Current assets:		
Cash and cash equivalents	$ 110,277	$ 893,818
Accounts receivable	308,108	162,842
Grants receivable	853,076	271,104
Other	-	1,500
Total current assets	1,271,461	1,329,264
Certificates of deposit	538,244	535,928
Property and equipment, less accumulated depreciation	902,130	896,113
Total assets	$ 2,711,835	$ 2,761,305
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 231,066	$ 45,908
Accrued and withheld liabilities	252,225	195,150
Accrued annual leave	182,807	203,290
Line of credit	113,000	-
Obligation under capital lease	9,562	-
Total current liabilities	788,660	444,348
Obligation under capital lease	91,547	-
Total liabilities	880,207	444,348
Unrestricted net assets	1,831,628	2,316,957
Total liabilities and net assets	$ 2,711,835	$ 2,761,305

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

LOGAN MINGO AREA MENTAL HEALTH, INC.

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2015 and 2014

	2015	2014
Changes in unrestricted net assets:		
Revenues:		
Net patient revenue	$ 2,282,393	$ 3,276,406
State and federal grant	2,193,320	2,232,034
Local and county grant	25,835	22,657
Other operating income	158,848	7,850
	4,660,396	5,538,947
Non-operating revenues:		
Other non-operating income	102,715	25,634
Interest	2,451	4,160
Total unrestricted revenues	4,765,562	5,568,741
Expenses and losses:		
Salaries and wages	3,168,299	3,101,768
Employee benefits	928,088	952,693
Contracted services	244,791	909,035
Facility	105,359	133,036
Repairs and maintenance	55,573	61,793
Travel	86,754	96,905
Bad debt	19,343	78,784
Provider tax	39,597	93,722
Depreciation	126,071	118,437
Food and drug	36,365	47,403
Miscellaneous	59,568	26,806
Office supplies	54,012	62,588
Telephone	37,563	27,466
Printing and postage	26,281	45,919
Professional fees	28,402	22,001
Subscriptions and books	25,806	18,610
Insurance	58,470	46,729
Accounting	84,399	61,335
Software	15,510	11,117
Rent	50,640	25,163
Total expenses	5,250,891	5,941,310
Change in net assets	(485,329)	(372,569)
Net assets, beginning of year	2,316,957	2,689,526
Net assets, end of year	$ 1,831,628	$ 2,316,957

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

LOGAN MINGO AREA MENTAL HEALTH, INC.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Change in net assets	$ (485,329)	$ (372,569)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Provision for bad debts	19,343	78,784
Depreciation	126,071	118,437
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(164,609)	260,529
Grants receivable	(581,972)	(89,103)
Other	1,500	6,630
Increase (decrease) in:		
Accounts payable	185,158	(115,492)
Accrued and withheld liabilities	57,075	28,177
Accrued annual leave	(20,483)	66,869
Net cash used in operating activities	(863,246)	(17,738)
Cash flows from investing activities:		
Purchases of property and equipment	(26,374)	(144,909)
Purchases of certificates of deposit	(2,316)	(3,766)
Net cash used in investing activities	(28,690)	(148,675)
Cash flows from financing activities:		
Principal payments on capital lease obligations	(4,605)	-
Net borrowings on line of credit	113,000	-
Net cash provided by financing activities	108,395	-
Net decrease in cash and cash equivalents	(783,541)	(166,413)
Cash and cash equivalents, beginning of year	893,818	1,060,231
Cash and cash equivalents, end of year	$ 110,277	$ 893,818
Disclosure of noncash investing and financing activities:		
Acquisition of building/land in exhange for capital lease	$ 105,714	$ -

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

LOGAN-MINGO AREA MENTAL HEALTH, INC.

NOTES TO FINANCIAL STATEMENTS

1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

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

Basis of Accounting

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

Cash and Cash Equivalents

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

Net Client Revenues

The Center has agreements with third-party payors that provide for payments to the Center at amounts different from its established rates. Net client revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated contractual adjustments under reimbursement agreements with third party payors. The allowance for doubtful accounts is based on management's experience, analysis of the age of individual accounts, and likelihood of collection. No allowance for uncollectible accounts was considered necessary at June 30, 2015 and 2014. Interest is not charged on past due balances.

Property and Equipment

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

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

Income Taxes

The Center is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

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.

LOGAN-MINGO AREA MENTAL HEALTH, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

Certain 2014 amounts have been reclassified to conform with the 2015 presentation.

Subsequent Events

The date to which events occurring after June 30, 2015, have been evaluated for possible adjustment to or disclosure in the financial statements is June 21, 2016, which is the date the financial statements were available to be issued.

2 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2015 and 2014:

	2015	2014
Land	$ 169,347	$ 143,633
Buildings and improvements	2,486,126	2,406,126
Vehicles	400,055	400,055
Equipment	674,167	660,865
Furniture	73,662	73,662
Construction in progress	13,071	-
	3,803,357	3,684,341
Less accumulated depreciation	2,914,298	2,788,228
	$ 902,130	$ 896,113

Property and equipment includes certain buildings and land provided to the Center by the State of West Virginia under long-term leases which require annual payments of $1 for terms of ninety-nine years expiring in 2076. The cost of such buildings was $1,915,785 while accumulated depreciation related to these buildings was $1,709,998 and $1,662,103 at June 30, 2015 and 2014, respectively. Land provided to the Center by the State amounted to $143,633 as of June 30, 2015 and 2014.

The cost of property and equipment purchased with Bureau of Behavioral Health & Health Facilities grant funds was $294,704 and $281,402, respectively, at June 30, 2015 and 2014, and related accumulated depreciation was $122,040 and $110,103, respectively, at June 30, 2015 and 2014.

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

LOGAN-MINGO AREA MENTAL HEALTH, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

3 - LINE OF CREDIT

The Center had $150,000 available under a line of credit with a bank with $113,000 outstanding as of June 30, 2015. The line of credit is renewable annually in January and has been renewed through January 22, 2017, bears interest at 2.3% and is secured by a certificate of deposit.

4 - LEASES

The Center leases a building and land under a long-term capital lease obligation which expires January 2024. The capital lease is payable in monthly installments of $1,200 for 110 months including an implicit rate of 5%. Building and land under capital lease for the year ended June 30, 2015 was $105,714.

Future minimum lease payments under operating leases are as follows:

2016	$	14,400
2017		14,400
2018		14,400
2019		14,400
2020		14,400
Thereafter		51,600
Future minimum lease payments		123,600
Less: Amount representing interest		22,491
Present value of future minimum lease payments	$	101,109

5 - THIRD-PARTY TRANSACTIONS AND ECONOMIC DEPENDENCY

The Center has agreements with Medicaid, Medicare, and other third party payors that provide for payments to the Center at predetermined amounts that differ from its standard rates. The ability of the Center to receive future payments from Medicaid depends on legislation enacted and resources available to the State of West Virginia. Revenues recognized from patient services less contractual adjustments during the years ended June 30, 2015 and 2014, are as follows:

	2015	2014
Net patient revenue:		
Medicaid	$ 1,807,981	$ 2,771,270
Medicare	149,028	104,661
Private pay	95,030	228,601
Insurance and other	230,354	171,874
	$ 2,282,393	$ 3,276,406

6 - CONCENTRATIONS

Financial instruments which potentially expose the Center to significant concentrations of credit risk consist of cash and cash equivalents, certificates of deposit, and accounts receivable.

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

7 - FUNCTIONAL EXPENSES

The Center provides behavioral healthcare services, including substance abuse services in Logan and Mingo Counties in West Virginia. Expenses related to providing these services for the years ended June 30, 2015 and 2014, are as follows:

	2015	2014
Health care services	$ 3,617,934	$ 4,252,883
General and administrative	1,632,957	1,688,427
	$ 5,250,891	$ 5,941,310

8 - CONTINGENCIES

The Center is subject to litigation in the normal course of business involving claims from individuals who seek both compensatory and punitive damages from the Center. The Center is a defendant in a lawsuit, filed by a former employee, for claims related to employment with the Center. Outside counsel for the entity has advised that at this stage in the proceedings, an opinion cannot be offered as to the probable outcome. The entity believes the suit is without merit and is vigorously defending its position. In addition, incidents occurring through June 30, 2015 may result in the assertion of a claim. Management believes that these claims would be settled within the limits of insurance coverage.

Subsequent to year end, the Center was subject to an Internal Revenue Service (IRS) examination related to regulatory requirements over the Center's 403(b) arrangements with its employees. The Center has entered into a corrective action plan with the IRS and has agreed to pay a penalty of approximately $13,000. Other regulatory requirements may apply. Although an estimate of potential fines, penalties, and other costs as a result of the noncompliance cannot be presently determined, such amounts could be significant.

SUPPLEMENTARY INFORMATION

LOGAN MINGO AREA MENTAL HEALTH, INC.

SCHEDULE OF BHHF FUNDED FIXED ASSETS

June 30, 2015

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

(Continued)

LOGAN MINGO AREA MENTAL HEALTH, INC.

SCHEDULE OF BHHF FUNDED FIXED ASSETS
(Continued)

June 30, 2015

Description	Date Acquired	Cost	Program
Compac Presario/FUTURES	06/21/04	740	Substance Abuse
Cabinets/FUTURES	06/22/04	412	Substance Abuse
Mouthpiece Sensors	06/23/04	2,523	Substance Abuse
Mattresses for FUTURES	06/23/04	893	Substance Abuse
TV/VCR/Intercom/FUTURES	07/09/04	2,526	Substance Abuse
Exercise Equipment/FUTURES	07/27/04	705	Substance Abuse
ASI Program/FUTURES	08/23/04	550	Substance Abuse
Computer/FUTURES	08/25/04	498	Substance Abuse
LCD Monitor	02/09/05	400	Substance Abuse
Pool Table/FUTURES	02/09/05	475	Substance Abuse
Desktop Computer	03/07/05	343	Substance Abuse
Compressor	04/25/05	1,098	Substance Abuse
13' Floor Buffer/FUTURES	04/29/05	765	Substance Abuse
Desk Chairs/FUTURES	05/12/05	558	Substance Abuse
Cooling Tower	09/30/09	42,895	Substance Abuse
Sewage Treatment Plant	10/31/09	118,021	Substance Abuse
HVAC - Chattaroy	04/30/10	62,683	Substance Abuse
Vulcan Range (Modern Equipment)	04/29/15	6,412	Substance Abuse
Dishwasher (Modern Equipment)	06/30/15	6,890	Substance Abuse
		$ 294,704	

See Independent Auditor's Report.

LOGAN MINGO AREA MENTAL HEALTH, INC.

SCHEDULE OF BHHF FUNDING STATUS/STATE AWARDS

Year Ended June 30, 2015

rant Series	State Account Number	Current Year Award Amount	Award Extended From Prior Year	Refundable Advances June 30, 2014	Amount Earned and Billed	Refundable Advances June 30, 2015	Amount Not Billed	Amount Collected
G150189	0525-2015-0506-2919-21900-3206-3950-13126	60,000	-	-	59,711	-	289	47,744
G150189	0525-2015-0506-2851-21900-3206-3950	1,107,161	-	-	1,072,412	-	34,749	656,528
G150189	0525-2015-0506-3043-21900-3206-3950	84,000	-	-	81,033	-	2,967	64,181
G150189	0525-2015-0506-2888-21900-3206-3950-13123	188,553	-	-	161,236	-	27,317	85,494
	Total for Grant G150189	1,439,714	-	-	1,374,392	-	65,322	853,947
G150450	8793-0000-2016-0506-2891-13000-3285-0000-13121-SAPT	3,750	-	-	-	-	3,750	-
G150450	0525-0000-2015-0506-2891-21900-3206-3949-13121	393,000	-	-	293,195	-	99,804	244,143
G150450	8793-0000-2015-0506-2891-13000-3285-0000-13121-SAPT	11,250	-	-	8,890	-	2,360	4,409
G150450	8793-0000-2015-0506-2884-13000-3285-0000-13125-SAPT	25,197	-	-	25,197	-	-	25,197
G150450	0525-0000-2013-0506-2884-21900-3206-3949-13125	25,197	-	-	17,055	-	8,142	12,856
G150450	0525-2015-0506-2891-21900-3206-3949-13125	19,780	-	-	19,780	-	-	-
G150450	525-2014-0506-2891-21900-3206-3949-13121	153,076	-	-	151,346	-	1,730	-
	Total for Grant G150450	631,250	-	-	515,463	-	115,786	286,605
G15046	0525-2013-0506-2886-35400-3206-3950-13131	50,000	-	-	16,902	-	33,098	6,971
G140358	8793-2015-0506-130-128	-	18,846	-	16,015	-	2,831	16,015
G140358	0525-2014-0506-219-025	-	72,490	-	67,292	-	5,198	67,292
G140358	8793-2014-0506-130-128	-	5,220	-	5,220	-	-	5,220
	Total for Grant G140358	-	96,556	-	88,527	-	8,029	88,527
G150551	5207-2015-0506-2884-09900-3206-3950	50,000	-	-	49,284	-	716	-
G150551	5207-2015-0506-2888-09900-3206-3950	35,000	-	-	-	-	35,000	-
G150551	5207-2015-0506-3701-09900-3206-3950	75,678	-	-	44,558	-	31,120	-
	Total for Grant G150551	160,678	-	-	93,842	-	66,836	-
G140006	0525-2014-0506-219-025	-	27,723	-	-	-	27,723	-
G140006	0525-2014-0506-221-025	-	11,510	-	-	-	11,510	-
G140006	0525-20XX-3065-219-258	-	31,426	-	31,426	-	-	-
G140006	0525-2013-0506-219-025	-	49,995	-	49,995	-	-	49,995
G140006	0525-0000-2014-0506-3701-21900-3206-3950	-	4,750	-	-	-	4,750	31,519
G140006	0525-0000-2014-0506-3701-21900-3206-3950	-	5,054	-	564	-	4,490	471
G140006	0525-0000-2015-0506-2867-21900-3206-3950	-	22,255	-	22,209	-	46	22,209
	Total for Grant G140006	-	152,713	-	104,194	-	48,519	104,194
		$ 2,281,642	$ 249,269	$ -	$ 2,193,320	$ -	$ 337,590	$ 1,340,244

See Independent Auditor's Report.

GIBBONS & KAWASH
Certified Public Accountants

300 Chase Tower
707 Virginia Street, East
Charleston, West Virginia 25301

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Logan-Mingo Area Mental Health, Inc. (the Center), which comprise the statements of financial position, as of June 30, 2015 and 2014, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated June 21, 2016.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Center's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2015-001, 2015-002, and 2015-003 to be material weaknesses.

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. We consider the deficiency described in the accompany schedule of findings and responses as item 2015-004 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express 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*.

The Center's Response to Findings

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

Purpose of this Report

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

Gibbons & Kawash, A.C.

Charleston, West Virginia
June 21, 2016

LOGAN-MINGO AREA MENTAL HEALTH, INC.

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended June 30, 2015

2015-001 Financial Reporting

Condition:

During the year, the Center did not have adequate processes and controls, including supervisory review and approval, account reconciliations and analyses, and monthly closing procedures, to ensure the preparation of complete and accurate monthly financial statements. In addition, the Center's staff did not include a chief financial officer or other individual with adequate training and experience during the year to prepare monthly financial statements in accordance with generally accepted accounting principles (GAAP). As a result of the lack of formal procedures and controls over financial reporting, combined with the shortcomings in training and experience, the Center maintains its accounting records on the modified cash basis of accounting, which may not completely and accurately reflect the financial condition of the Center. Additionally, monthly financial statements were not provided to the Board of Directors.

Criteria:

Management is responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Effect:

The financial statements required several adjustments to correct various accounts. Without complete and accurate financial statements management and the Board of Directors are unable to accurately analyze the Center's operations in a timely manner.

Cause:

Sufficient controls were not in place to ensure the preparation and fair presentation of financial statements in accordance with generally accepted accounting principles throughout the year.

Recommendation:

During the year, the Center developed an accounting manual, which was finalized subsequent to year end that describes many significant operational and accounting policies and processes necessary to prepare monthly financial statements in accordance with GAAP. We recommend management consider expanding the manual to include additional descriptions of processes, report references, and other relevant information to assist personnel in completing the month end closing procedures. Implementation of these processes should be completed as soon as administratively feasible. Accurate monthly financial statements are essential to effectively managing the Center's operations and understanding the Center's financial condition.

The Center hired a contract accountant to assist with developing an accounting manual, completing year end closing, audit preparation, and training of staff. We recommend the Center continue contracting with an accountant to provide suitable skills, knowledge, and experience and assist the existing staff in preparing financial statements in accordance with generally accepted accounting principles.

2015-001 Financial Reporting (continued)

Management's Response:

The Center has designated month-end closing responsibilities to staff who have been provided a list of duties to perform monthly, quarterly, and annually. The Finance Manager will also begin to identify specific periods within each month for these duties to be completed.

A contract accountant continues to provide assistance and training in reconciling month end balances and providing Management financial statements to effectively manage operations and monitor financial conditions.

2015-002 Patient Service Transactions

Condition:

Patient service activity is recorded in the billing software, which includes invoicing, receipt of payment, recording of contractual adjustments, and write-offs of accounts receivables. General ledger activity is recorded on the cash basis of accounting; therefore, revenue is recorded net of contractual adjustments and bad debts. In addition, without recording all patient service transactions in the general ledger, a reconciliation of the billing software balances to the general ledger account receivable control account is not possible.

In addition, management reviews aging reports from the billing software periodically for outstanding balances, however, the Center does not have a formal policy for evaluating patient uncollectible accounts receivable, and no review or evaluation of accounts receivable billed directly through QuickBooks is completed by management.

Criteria:

Accounts receivable from the patient billing system should be reconciled to the general ledger control accounts to ensure patient receivables and related revenue are complete and accurate. Individual accounts should be evaluated for collectability to ensure the valuation of accounts receivable is accurate and bad debts are recognized in the proper period.

Effect:

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

Cause:

Lack of internal control including reconciliation and review procedures over patient revenue and accounts receivable.

Recommendation:

We recommend the Center record monthly entries for patient service revenue, contractual adjustments, bad debt, and accounts receivables based on reports generated from the billing software. Payments on patient accounts should be posted to both the patient accounts in the billing system and to the general ledger control account. Furthermore, the detailed accounts receivable records from the billing software should be reconciled to the general ledger during their monthly closing procedures.

LOGAN-MINGO AREA MENTAL HEALTH, INC.

SCHEDULE OF FINDINGS AND RESPONSES
(Continued)

Year Ended June 30, 2015

2015-002 Patient Service Transactions (Continued)

Recommendation (Continued):

In addition, a review of individual accounts receivable balances should be performed by management during monthly closing procedures. The allowance for doubtful accounts should be adjusted to recognize balances for which collection is doubtful.

Management's Response:

In FY2016 the Center began recording monthly entries for patient service revenue, contractual adjustments, and account receivable based on reports generated from the billing software. Payments on patient accounts are posted to both the patient account in the billing system, to the revenue account in the accounting system and to the general ledger control account in the accounting system.

The CEO and Finance Manager have reviewed the Accounts Receivable aging reports from the billing system and discussed collection measures.

The contract accountant, Finance Manager, and Program Manager have discussed the billing process for accounts receivable within the accounting system. Further internal discussions are planned.

2015-003 Regulatory Compliance

Condition:

Subsequent to year end, the Internal Revenue Service (IRS) examined the Center's compliance with requirements related to an employee benefit plan. As a result, the Center entered into a corrective action plan with the IRS for failure to have a written plan intended to satisfy Internal Revenue Code (IRC) 403(b) and Treasury Regulations. The Center agreed to pay a penalty of approximately $13,000 and comply with various requirements of the corrective action plan. Additional regulatory noncompliance may be identified as a result of the IRS determination.

Criteria:

Employee benefit plans which qualify under ERISA are subject to certain regulatory and disclosure requirements.

Effect:

Significant fines and penalties may be assessed.

Cause:

Lack of understanding of regulatory requirement related to employee benefit plans.

Recommendation:

We recommend the Center consult legal counsel to determine the corrective actions necessary to address the noncompliance.

2015-003 Regulatory Compliance (Continued)

Management's Response:

The Center is consulting with an Attorney relating to the Internal Revenue Service (IRS) review of the 403(b) plan.

2015-004 Fixed Assets

Condition:

The detailed fixed asset schedule did not reconcile to the general ledger by approximately $9,200. In addition, although certain fixed asset balances were corrected by the contract accountant, the detailed fixed asset schedule was not maintained and recording of fixed asset activity was not completed during the normal course of operations by management. The Center's capitalization policy and procedures for approval and recording disposals of property and equipment were developed subsequent to year end.

Criteria:

Controls and procedures should be in place to ensure complete and accurate reporting of fixed asset balances.

Effect:

Fixed asset balances could be misstated in the general ledger and financial statements.

Cause:

Lack of controls and procedures, including reconciliation procedures to record and reconcile fixed assets.

Recommendation:

The Center developed an accounting manual during the year that established written procedures over fixed assets including capitalization policy, procedures over additions and disposals, identification and tracking of state funded assets, annual physical inventory procedures, and reconciliation of the general ledger to the detailed fixed asset listing during the month end process. The implementation of these procedures and processes has not been completed. We recommend implementation be completed as soon as administratively feasible.

Management's Response:

The Center has incorporated a review of the purchase of Fixed Assets in the month end closing responsibilities. Depreciation is being recorded monthly in the accounting system. A Center-wide asset inventory will be attempted during the month of April and May 2016. The detailed fixed asset list will be reconciled to the actual inventory taken to establish a documented and detailed fixed asset list as of 6/30/2016. Thereafter, additions and disposals, identification and tracking, will become a part of the month end closing process.