

Audited Financial Statements

Valley Comprehensive Community Mental Health  
Center, Inc., d/b/a Valley HealthCare System

Years Ended June 30, 2014 and 2013

Audited Financial Statements  
VALLEY HEALTHCARE SYSTEM  
Years Ended June 30, 2014 and 2013

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## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Valley HealthCare System  
Morgantown, West Virginia

### Report on the Financial Statements

We have audited the accompanying financial statements of Valley Comprehensive Community Mental Health Center, Inc. d/b/a Valley HealthCare System (the Corporation), which comprise the statements of financial position as of June 30, 2014 and 2013, 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 Valley HealthCare System as of June 30, 2014 and 2013, 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.

## Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of expenditures of state awards, BHHF funding status, BHHF assets - equipment and automobiles - cumulative property schedule, BHHF assets - leaseholds, land, and buildings - cumulative property schedule, and schedule of standardized financial statements 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). The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2014, on our consideration of the Corporation'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 Corporation's internal control over financial reporting and compliance.



Charleston, West Virginia  
December 10, 2014

VALLEY HEALTHCARE SYSTEM  
STATEMENTS OF FINANCIAL POSITION

June 30, 2014 and 2013

<u>ASSETS</u>	<u>2014</u>	<u>2013</u>
Current assets:		
Cash and cash equivalents	\$ 3,787,806	\$ 3,347,215
Accounts receivable, less allowance for doubtful accounts of \$99,061 in 2014 and \$207,499 in 2013	1,354,627	1,345,621
Grants receivable	925,581	1,041,234
Prepaid and other assets	<u>144,414</u>	<u>119,880</u>
Total current assets	<u>6,212,428</u>	<u>5,853,950</u>
Property and equipment, less accumulated depreciation and amortization	<u>2,014,661</u>	<u>1,674,302</u>
Investments	<u>241,840</u>	<u>121,874</u>
Total assets	<u>\$ 8,468,929</u>	<u>\$ 7,650,126</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 854,424	\$ 792,938
Accrued annual leave and payroll	577,397	1,026,046
Current maturities of Medicaid liability	684,500	963,536
Current maturities of long-term debt	113,806	55,306
Current obligation under capital lease	17,831	25,763
Deferred revenue	<u>11,642</u>	<u>13,522</u>
Total current liabilities	<u>2,259,600</u>	<u>2,877,111</u>
Postemployment benefit obligation	1,054,492	970,072
Long-term debt, less current maturities	594,601	363,874
Capital lease, less current maturities	-	17,831
Medicaid liability, less current maturities	<u>299,943</u>	<u>377,608</u>
Total liabilities	<u>4,208,636</u>	<u>4,606,496</u>
Unrestricted net assets	<u>4,260,293</u>	<u>3,043,630</u>
Total liabilities and net assets	<u>\$ 8,468,929</u>	<u>\$ 7,650,126</u>

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

## VALLEY HEALTHCARE SYSTEM

## STATEMENTS OF ACTIVITIES

Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Changes in unrestricted net assets:		
Revenues:		
Net client revenues	\$ 13,774,941	\$ 12,710,713
State and federal grant revenues	5,502,281	5,813,935
Other grants and contracts	24,447	111,148
Other operating income	239,032	81,562
Residential facilities fees	<u>233,715</u>	<u>206,610</u>
	<u>19,774,416</u>	<u>18,923,968</u>
Expenses and losses:		
Salaries and wages	10,011,084	10,142,207
Employee benefits	2,254,231	2,343,862
Contract labor and professional fees	2,485,102	2,041,491
Repairs and maintenance	174,070	210,009
Supplies	326,139	298,198
Utilities	415,071	418,636
Staff development and travel	334,081	307,176
Insurance	175,399	169,678
Taxes	433,715	402,896
Depreciation and amortization	247,957	282,846
Bad debt	38,447	21,563
Other	710,420	691,529
Litigation	21,000	100,000
Special project funding	216,779	274,811
Interest expense	64,260	65,109
Postemployment health	72,250	81,795
Equipment rental	106,028	129,213
Rent	<u>415,914</u>	<u>414,873</u>
	<u>18,501,947</u>	<u>18,395,892</u>
Operating income	1,272,469	528,076
Other postemployment benefit related changes, exclusive of net periodic cost	<u>(55,806)</u>	<u>154,910</u>
Increase in net assets	1,216,663	682,986
Net assets, beginning of year	<u>3,043,630</u>	<u>2,360,644</u>
Net assets, end of year	<u>\$ 4,260,293</u>	<u>\$ 3,043,630</u>

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

## VALLEY HEALTHCARE SYSTEM

## STATEMENTS OF CASH FLOWS

Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Increase in net assets	\$ 1,216,663	\$ 682,986
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	247,957	282,846
Gain on disposal of property and equipment	(650)	(500)
Provision for bad debts	38,447	21,563
Net unrealized gain on investments	(119,966)	(9,883)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(47,453)	620,778
Grants receivable	115,653	(90,868)
Prepaid and other assets	(24,534)	(19,749)
Increase (decrease) in:		
Accounts payable and accrued expenses	61,486	50,347
Medicaid Waiver liability	(356,701)	615,905
Accrued annual leave and payroll	(448,649)	28,033
Postemployment benefit obligation	84,420	(122,619)
Deferred revenue	(1,880)	(6,855)
Net cash provided by operating activities	<u>764,793</u>	<u>2,051,984</u>
Cash flows used in investing activities:		
Proceeds from dispositions of property and equipment	650	500
Purchases of property and equipment	(226,414)	(85,869)
Net cash used in investing activities	<u>(225,764)</u>	<u>(85,369)</u>
Cash flows used in financing activities:		
Principal payments on long-term debt	(72,675)	(125,328)
Principal payments on capital lease obligations	(25,763)	(24,632)
Net cash used in financing activities	<u>(98,438)</u>	<u>(149,960)</u>
Net increase in cash	440,591	1,816,655
Cash, beginning of year	<u>3,347,215</u>	<u>1,530,560</u>
Cash, end of year	<u>\$ 3,787,806</u>	<u>\$ 3,347,215</u>
Supplemental disclosures:		
Noncash investing and financing activities:		
Assets acquired through issuance of long-term debt	<u>\$ 361,902</u>	<u>\$ 68,985</u>

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

VALLEY HEALTHCARE SYSTEM  
NOTES TO FINANCIAL STATEMENTS

**1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Description of Organization

Valley HealthCare System (the Corporation) is a private, nonprofit, nonstock corporation organized under the laws of the State of West Virginia and exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Corporation operates comprehensive programs that serve persons who are mentally ill, chemically dependent, intellectually disabled/developmentally disabled, or who otherwise require related behavioral health services. The Corporation is based in Morgantown, West Virginia, and operates twenty satellite facilities in Monongalia, Marion, Preston, Taylor, and Pocahontas 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 Corporation records grant monies received in advance as refundable advances and recognizes grant revenue as qualifying expenditures are incurred.

Cash and Cash Equivalents

The Corporation considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. Included in cash and cash equivalents are amounts held for others of \$77,922 and \$69,855 at June 30, 2014 and 2013, respectively.

Property and Equipment

Property and equipment are stated at cost. Major purchases and improvements of \$5,000 or more are capitalized while repairs and maintenance are expensed as incurred. Depreciation has been provided over the estimated useful lives using the straight-line method for buildings and improvements and furniture and equipment. Estimated useful lives are as follows:

Buildings and improvements	15-40 years
Furniture and equipment	3-20 years

Fair Value

Certain investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 10 for discussion of fair value measurements.

Net Client Revenues

The Corporation has agreements with third-party payors that provide for payments to the Corporation at amounts different from its established rates. Net client revenue is reported at the estimated net realizable amounts from patients (clients), 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 and analysis of prior year collections. The Corporation's policy for writing off bad debts includes writing off amounts due after 365 days if no payments have been received. Interest is not charged on past due balances.

VALLEY HEALTHCARE SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

Net Client Revenues (Continued)

The Corporation has a policy of providing care to individuals regardless of their ability to pay. Such care is provided to eligible individuals based on financial information provided by the individual. Since the Corporation does not expect payment, charges are recorded at established rates, offset by allowances for charity care and not reported as revenues.

Advertising

General advertising and employment opportunity advertising costs, which totaled \$42,037 in 2014 and \$51,352 in 2013, are expensed as incurred.

Income Taxes

The Corporation is classified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, is not subject to taxes on income derived from its exempt activities. In addition, the Corporation qualifies for charitable contributions deductions under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1). The Corporation is generally no longer subject to examination by taxing authorities for years prior to the year ending June 30, 2011.

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.

Net Assets

Unrestricted net assets are resources over which the Board of Directors has discretionary control.

Subsequent Events

The date to which events occurring after June 30, 2014, have been evaluated for possible adjustment to or disclosure in the financial statements is December 10, 2014, which is the date the financial statements were available to be issued.

VALLEY HEALTHCARE SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**2 - PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following:

	June 30	
	2014	2013
Land and improvements	\$ 1,017,415	\$ 567,415
Buildings and improvements	3,509,672	3,509,672
Leasehold improvements	295,438	295,438
Furniture and equipment	2,694,367	2,590,301
Construction in progress	28,847	49,256
	7,545,739	7,012,082
Less accumulated depreciation and amortization	5,531,078	5,337,780
	\$ 2,014,661	\$ 1,674,302

Cost of property and equipment purchased with West Virginia Department of Health and Human Resources, Bureau for Behavioral Health and Health Facilities (BHFF) grant funds was \$3,278,834 and \$3,253,867 and related accumulated depreciation was \$2,953,386 and \$2,878,728 at June 30, 2014 and 2013, respectively.

The State of West Virginia provides the land and building for the Morgantown main office for a one-time fee of \$1 under a 99 year lease expiring in 2080. The land and building cost of \$1,620,000 is recorded in these financial statements as property and equipment. The building is fully depreciated. The Corporation's continued use of the land and building is subject to its continued compliance with the State Department of Health and Human Resources rules and regulations and its purchase of service contracts.

**3 - DEBT**

Long-term debt consisted of the following:

	2014	2013
Note payable to bank, payable in monthly installments of \$751, including interest at 2.75%, final payment due July 2017, secured by deed of trust on real estate	\$ 26,591	\$ -
Note payable to bank, payable in monthly installments of \$8,550 commencing December 2014, including variable interest rate at bank's prime rate, due November 2017, secured by deed of trust on real estate	292,500	-
Note payable to bank, payable in monthly installments of \$3,600, including interest at 8%, due May 2020, secured by deed of trust on real estate	193,638	222,030

VALLEY HEALTHCARE SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**3 - DEBT (Continued)**

	2014	2013
Note payable to bank, payable in monthly installments of \$2,257, including interest at 7.625%, final payment due December 2022, secured by deed of trust on real estate	167,985	181,546
Note payable to bank, payable in monthly installments of \$1,115, including interest at 5.5%, secured by equipment	-	10,764
Note payable to bank, payable in monthly installments of \$814, including interest at 8.35%, final payment of \$12,100 due July 2016, secured by vehicle	27,693	-
Note payable to bank, payable in monthly installments of \$2,443, including interest at 4.5%, secured by equipment	-	4,840
	708,407	419,180
Less current portion	113,806	55,306
	\$ 594,601	\$ 363,874

Maturities of the notes payable are as follows:

June 30	
2015	\$ 113,806
2016	156,280
2017	167,006
2018	93,269
2019	54,743
Thereafter	123,303
	\$ 708,407

At June 30, 2014 and 2013, respectively, the Corporation had a \$600,000 line of credit with Branch Banking and Trust with no outstanding balances. The line of credit bears interest at the bank's prime rate plus 1.25%, with a minimum rate of 5.5%, and is secured by the Corporation's Grafton office and all client accounts receivable with a total book value of \$1,323,801 and \$1,304,849 at June 30, 2014 and 2013, respectively. The borrowing base is limited to 70% of certain accounts receivable less than 120 days old. The bank's commitment to make advances on the line of credit expires on February 18, 2015.

Cash paid for interest during the years ended June 30, 2014 and 2013, was \$64,260 and \$65,109, respectively.

VALLEY HEALTHCARE SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

#### 4 - LEASES

##### Operating

The Corporation leases certain office equipment and facilities under operating lease agreements that expire in various years through 2017. Rent expense on all operating leases was \$521,942 and \$544,086 for the years ended June 30, 2014 and 2013, respectively.

Future minimum lease payments under operating leases are as follows:

<u>June 30</u>	
2015	\$ 272,624
2016	202,972
2017	<u>122,857</u>
	<u>\$ 598,453</u>

##### Capital

The Corporation leases communications equipment under a long-term capital lease obligation which expires January 2015. The capital lease is payable in monthly installments of \$2,266 for 36 months including an implicit interest rate of 4.5%. Communications equipment under capital lease for the years ended June 30, 2014 and 2013 was \$79,155, with accumulated depreciation of \$34,308 and \$18,477, respectively. Future minimum lease payments, which include interest, under the capital lease obligation are \$19,568 for the year ending June 30, 2015.

#### 5 - MEDICAID LIABILITY

During 2007, the Corporation's management identified a billing error relating to certain Medicaid Waiver services and reported the error to the appropriate State of West Virginia agency. The error affected billings for waiver residential services provided by the Corporation during the period beginning March 1, 2004 through January 31, 2007, and resulted in overbilling for services of \$981,036. The Corporation is repaying this amount over 10 years at \$8,041 per month at 0% interest. The Corporation has recorded the liability net of imputed interest using an incremental borrowing rate of 5.5%. The amount outstanding, less imputed interest, as of June 30, 2014 and 2013 was \$377,608 and \$451,126, respectively.

During the year ended June 30, 2014, the Bureau for Medical Services (BMS) requested repayment of \$1,092,534 related to billings for certain patient services, provided from October 1, 2011 through September 30, 2013, which were found to be in noncompliance with contractual agreements. Of the \$1,092,534 of noncompliant billings, amounts related to the years ended June 30, 2014 and 2013 were \$255,917 and \$686,498, respectively. Subsequent to year end, the Bureau for Medical Services granted a partial reversal of the disallowance of \$539,100, resulting in a balance due to BMS of \$553,434. The disallowed claims and partial reversal of the request for reimbursement were recorded as adjustments to patient service revenue. In addition, the Corporation identified \$53,401 of additional non-compliant billings during year ended June 30, 2014. The liability outstanding as of June 30, 2014 and 2013 was \$606,835 and \$890,019, respectively.

VALLEY HEALTHCARE SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**5 - MEDICAID LIABILITY (Continued)**

Future minimum payments related to the repayments described above are as follows:

<u>June 30</u>	
2015	\$ 703,330
2016	96,495
2017	96,495
2018	96,495
2019	<u>40,207</u>
Future minimum payments	1,033,022
Less: Amount representing imputed interest	<u>48,579</u>
Present value of future payments	<u>\$ 984,443</u>

**6 - EMPLOYEE BENEFIT PLANS**

The Corporation participates in the West Virginia Public Employees Retirement System (WVPERS), which is a defined benefit, cost-sharing, multiple employer pension plan. The Plan covers individuals who elected to remain in PERS after the establishment of a defined contribution retirement plan whose annual work hours exceed 1,040 and whose employment is not restricted as temporary or provisional. Members' rights to employee contributions vest immediately while members with one year or more of contributing service and five years or more credited service shall be eligible to retire at age 60 or after and to receive an allowance for life based on the benefit program then in effect. The allowance is equal to a benefit percentage multiplied by the final average salary. Contributions to the WVPERS by the Corporation for the years ended June 30, 2014 and 2013, were 14.5% and 14.0%, respectively, of eligible employees' compensation. In addition, 4.5% is withheld from eligible employees' compensation and remitted on a monthly basis to the WVPERS. The Corporation's contribution requirement was not actuarially determined. Contribution obligations and benefit provisions are statutorily established by the West Virginia Public Employees Retirement Act, as amended. Employer contributions for the years ended June 30, 2014 and 2013, were \$8,807 and \$10,146, respectively.

Information regarding benefit provisions, actuarial assumptions and funding method, pension benefit obligation (actuarial present value of credited projected benefits), net assets available for benefits, historical trends, and related party transactions is not readily available since such determinations are made and information is kept on a system-wide basis and not for the individual participating entities. This information is available in the separately issued financial statements of the WVPERS.

On April 20, 1997, the West Virginia legislature passed Senate Bill No. 544, which requires mental health centers participating in the WVPERS to provide a private pension plan for current employees at their option and for future employees within a certain time frame. During 1998, the Corporation established a 403(b) defined contribution retirement plan (the Plan) for those employees electing not to remain in WVPERS. Employees electing to participate in the Plan will not be entitled to postretirement medical benefits. Employees are eligible to participate in the Plan upon attaining the age of 21 years. The Board of Directors decides contributions each year; however, contributions cannot exceed 4.5% of each covered employee's salary. Total contributions amounted to \$138,245 and \$158,149 for the years ended June 30, 2014 and 2013, respectively.

VALLEY HEALTHCARE SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**6 - EMPLOYEE BENEFIT PLANS (Continued)**

Postretirement Benefit Plans

For those employees that participate in the West Virginia Public Employees Retirement System, the Corporation is required to contribute to the West Virginia Public Employees Insurance Agency (PEIA) to partially fund health insurance premiums for retired employees who elected to participate. The Corporation's obligation to provide those benefits is unfunded.

The following information is related to the benefit obligation as of June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Benefit obligation at June 30	\$ (1,054,492)	\$ (970,072)
Fair value of plan assets at June 30	<u>-</u>	<u>-</u>
Funded status	<u>(1,054,492)</u>	<u>(970,072)</u>
Accrued benefit cost recognized in the accompanying balance sheet	<u>\$ (1,054,492)</u>	<u>\$ (970,072)</u>
Weighted-average assumptions as of June 30		
Discount rate	4.1%	4.5%
Expected return on plan assets	7.00%	7.00%
Benefit cost	\$ 72,250	\$ 81,794
Employer contribution	43,636	49,503
Benefits paid	43,636	49,503

The assumed health care cost trend rates used in measuring the other postretirement benefit obligation was 6% for those currently receiving benefits and 6% for employees not yet receiving benefits. Assumed health care cost trend rates have a significant effect on the amounts reported for health care plans. A 1% change in the assumed health care cost trend rate would have the following effect:

	<u>1% Increase</u>	<u>1% Decrease</u>
Effect on service and interest cost	\$ 7,342	\$ (6,110)
Effect on accumulated postretirement benefit obligation	142,260	(118,953)

**7 - THIRD-PARTY TRANSACTIONS AND ECONOMIC DEPENDENCY**

The Corporation has agreements with Medicaid and Medicare that provide for payments to the Corporation at predetermined amounts that differ from its standard rates. The ability of the Corporation to receive future payments from these sources depends on legislation enacted and resources available to the State of West Virginia. The Corporation also receives payments for services from private payors, certain governmental agencies, and other third-party payors.

VALLEY HEALTHCARE SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**7 - THIRD-PARTY TRANSACTIONS AND ECONOMIC DEPENDENCY (Continued)**

Revenue recognized from client services is as follows:

	Year Ended June 30, 2014		
	Gross Client Revenue	Less: Contractual Adjustments	Net Client Revenue
Medicaid	\$ 2,703,502	\$ 377,961	\$ 2,325,541
Medicaid waiver	9,958,006	23,398	9,934,608
Medicare	76,372	37,675	38,697
Private pay	644,752	17,111	627,641
Insurance	122,714	20,002	102,712
WV DHHR-BHHF Fee for service	796,746	93,472	703,274
Other	233,606	191,138	42,468
Total	<u>\$ 14,535,698</u>	<u>\$ 1,262,649</u>	<u>\$ 13,774,941</u>
	Year Ended June 30, 2013		
	Gross Client Revenue	Less: Contractual Adjustments	Net Client Revenue
Medicaid	\$ 2,139,125	\$ 183,246	\$ 1,955,879
Medicaid waiver	10,136,882	1,074,180	9,062,702
Medicare	96,438	35,246	61,192
Private pay	653,988	7,310	646,678
Insurance	165,363	20,478	144,885
WV DHHR-BHHF Fee for service	883,207	96,729	786,478
Other	248,193	195,294	52,899
Total	<u>\$ 14,323,196</u>	<u>\$ 1,612,483</u>	<u>\$ 12,710,713</u>

The Corporation also received state of West Virginia and federal grant funds passed through the State in the amount of \$5,502,281 and \$5,813,935 during the years ended June 30, 2014 and 2013, respectively. Such amounts are dependent upon the collection of sufficient revenues by the state to fund such grants as well as budgetary and other policy decisions that may apply to the awarding of these grant funds.

**8 - CONCENTRATION OF CREDIT RISK**

Financial instruments which potentially expose the Corporation to significant concentrations of credit risk consist of accounts receivable. The Corporation 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 and the health insurance industry. The Corporation maintains allowances for potential losses, which, when realized, have been within the range of management's expectations.

VALLEY HEALTHCARE SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

### 8 - CONCENTRATION OF CREDIT RISK (Continued)

To limit concentration of credit risk associated with cash and cash equivalents, the Corporation places its cash and cash equivalents with high quality financial institutions. At times, the balances in such institutions may exceed amounts covered by FDIC insurance.

### 9 - RELATED PARTY TRANSACTIONS

The Corporation entered into a contract with Alliance Medical Services, Inc. to become a shareholder in Valley-Alliance Treatment Services, Inc. (VATS), established for the purpose of providing substance abuse treatment services in the north central West Virginia area. The Corporation's net investment in VATS is reported at fair value in the investment balance of the accompanying balance sheet at \$225,944 and \$106,276 at June 30, 2014 and 2013, respectively. The Corporation received distributions in the amount of \$63,664 and \$41,164, during 2014 and 2013, respectively.

### 10 - FAIR VALUE MEASUREMENT

As described in Note 9, the Corporation has a 10% equity interest in VATS, which is carried in the Corporation's financial statements at fair value. The fair value for this investment has been determined as follows.

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

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

Level 2 - Inputs to the valuation methodology include:

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

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

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

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

VALLEY HEALTHCARE SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**10 - FAIR VALUE MEASUREMENT (Continued)**

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2014 and 2013.

The equity interest in VATS has been valued using the income approach to valuation. The valuation is based on projected future cash flows to be received as equity distributions. The Corporation receives equity distributions of 10% of monthly adjusted net income of VATS. Future projections of equity distributions were based on historical net income of VATS. Projected cash receipts have been converted to after tax amounts assuming maximum effective tax rates for federal and state income taxes for both years. The projected after tax cash distributions were then discounted in perpetuity using applicable risk premiums.

The interest in VATS, which is included in investments on the balance sheet at June 30, 2014 and 2013, was as follows:

	<u>Level 3</u>	
	<u>2014</u>	<u>2013</u>
Equity interest in VATS	\$ 225,944	\$ 106,276

The change in the investment measured at fair value using Level 3 inputs is as follows:

	<u>2014</u>	<u>2013</u>
Balance, beginning of year	\$ 106,276	\$ 96,669
Net unrealized gain	<u>119,668</u>	<u>9,607</u>
Balance, end of year	<u>\$ 225,944</u>	<u>\$ 106,276</u>

**11 - FUNCTIONAL EXPENSES**

The Corporation provides mental health services to residents within Marion, Monongalia, Taylor, Preston and Pocahontas Counties in West Virginia. Expenses related to providing these services for the years ended June 30, 2014 and 2013, are as follows:

	<u>2014</u>	<u>2013</u>
Health care services	\$ 14,885,093	\$ 15,186,880
General and administrative	<u>3,672,660</u>	<u>3,054,102</u>
	<u>\$ 18,557,753</u>	<u>\$ 18,240,982</u>

**SUPPLEMENTARY INFORMATION**

## VALLEY HEALTHCARE SYSTEM

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2014

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Grant Series #	Pass-through Grantor's Number	Program or Award Amount	Refundable Advances July 1, 2013	Disbursements/ Expenditures	Refundable Advances June 30, 2014
<u>Major Programs</u>							
<u>Department of Health and Human Services:</u>							
Passed through State of West Virginia Department of Health and Human Resources, Bureau for Behavioral Health and Health Facilities:							
Federal Block Grants:							
Prevention and Treatment of Substance Abuse	93.959	G130622	8793-2013-2884-130-128-21477	\$ 11,646	\$ -	\$ 11,646	\$ -
		G130622	8793-2014-2884-130-128-21477	20,708	-	20,708	-
		G130622	8793-2014-2892-130-128-21477	32,962	-	32,962	-
		G130622	8793-2014-2891-130-128-21477	90,230	-	90,230	-
				<u>155,546</u>	<u>-</u>	<u>155,546</u>	<u>-</u>
		G140079	8793-2014-2884-130-128-22684-13120	18,802	-	6,802	-
		G140079	8793-2015-2884-130-128-22684-13120	6,268	-	-	-
		G140079	8793-2014-2884-130-128-22684-13125	78,664	-	54,537	-
		G140079	8793-2015-2884-130-128-22684-13125	26,221	-	-	-
		G140079	8793-2014-2892-130-128-22684-13117	49,259	-	25,709	-
		G140079	8793-2014-2892-130-128-22684-13120	25,729	-	12,765	-
		G140079	8793-2015-2892-130-128-22684-13120	8,576	-	-	-
		G140079	8793-2014-2891-130-128-22684-13133	346,257	-	346,257	-
		G140079	8793-2015-2891-130-128-22684-13133	115,419	-	53,938	-
				<u>675,195</u>	<u>-</u>	<u>500,008</u>	<u>-</u>
			Total Prevention and Treatment of Substance Abuse	<u>830,741</u>	<u>-</u>	<u>655,554</u>	<u>-</u>
Non-Major Programs:							
<u>Department of Health and Human Services:</u>							
Passed through State of West Virginia Department of Health and Human Resources, Bureau for Behavioral Health and Health Facilities:							
Federal Block Grants:							
Community Mental Health Services	93.958	G140002	8794-2014-2913-130-128-22008	143,335	-	114,717	-
		G140079	8794-2015-3041-130-128-22008-13113	16,250	-	3,186	-
		G140079	8794-2014-3041-130-128-22008-13113	48,750	-	48,750	-
				<u>65,000</u>	<u>-</u>	<u>51,936</u>	<u>-</u>
		G130622	8794-2013-2851-130-128-20711	30,745	-	30,745	-
		G130622	8794-2014-2851-130-128-20711	16,250	-	16,250	-
		G130622	8794-2014-3041-130-128-20711	13,594	-	13,594	-
				<u>60,589</u>	<u>-</u>	<u>60,589</u>	<u>-</u>
			Total Community Mental Health Services	<u>268,924</u>	<u>-</u>	<u>227,242</u>	<u>-</u>
Federal Block Grant:							
National Bioterrorism Hospital Preparedness Program	93.889	G140741	8802-2014-3062-130-128-22125	4,000	-	4,000	-
Total Federal Awards				<u>\$ 1,103,665</u>	<u>\$ -</u>	<u>\$ 886,796</u>	<u>\$ -</u>

See Independent Auditor's Report.

## VALLEY HEALTHCARE SYSTEM

## NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2014

**1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Valley HealthCare System, and is presented on the accrual basis. 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*.

VALLEY HEALTHCARE SYSTEM  
SCHEDULE OF EXPENDITURES OF STATE AWARDS

Year Ended June 30, 2014

State Grantor/Program Title	Grant Series #	State Grantor's Number	Program or Award Amount	Deferred Revenue July 1, 2013	Disbursements/ Expenditures	Deferred Revenue June 30, 2014
<u>West Virginia Department of Health and Human Resources</u>						
Community Placement	G140013	0525-2007-2874-803-258-13124	\$ 124,173	\$ -	\$ 124,173	\$ -
Indigent Care	G140013	0525-2013-3065-219-258	91,928	-	91,928	-
Indigent Care	G140013	0525-2012-3065-219-258	91,928	-	91,928	-
DD - Client Core Services / Support	G140013	0525-2014-2851-219-258	952,840	-	952,840	-
MI - Client Improvement	G140013	0525-2014-2851-219-258	313,686	-	313,686	-
Case Mgmt Improvement	G140013	0525-2014-3701-219-258-12426	31,429	-	30,154	-
Family Support Funds	G140013	0525-2014-2867-221-258	77,221	-	77,221	-
Hartley MH Day Treatment	G140013	0525-2014-3744-219-258-12426	197,323	-	197,323	-
Hartley MH Group Home	G140013	0525-2014-3115-219-258-12426	440,000	-	440,000	-
Hartley MH Supportive Housing	G140013	0525-2014-3743-219-258-12426	160,000	-	156,746	-
SA Women	G140013	0525-2014-2890-219-258-13121	354,083	-	354,083	-
Care Coordinators Improvement	G140013	0525-2014-3701-219-258	408,711	-	393,422	-
PI Services	G140013	0525-2014-2885-219-258	29,350	-	29,350	-
Community Supports Improvement	G140013	0525-2014-3702-219-258	47,964	-	47,964	-
Community Supports Improvement (Child)	G140013	0525-2014-2919-219-258-13126	60,000	-	60,000	-
Forensic Homes	G140013	0525-2014-3703-335-258	1,178,488	-	1,165,199	-
		Total for Grant G140013	<u>4,559,124</u>	<u>-</u>	<u>4,526,017</u>	<u>-</u>
MI-Client Crisis Improvement	G130622	0525-2014-2892-219-258	17,085	-	17,085	-
Recovery Coaches	G140077	0525-2013-2888-354-258-13130	140,000	-	72,383	-
Total Department of Health and Human Resources			<u>\$ 4,716,209</u>	<u>\$ -</u>	<u>\$ 4,615,485</u>	<u>\$ -</u>

See Independent Auditor's Report.

VALLEY HEALTHCARE SYSTEM  
SCHEDULE OF BHFF FUNDING STATUS

Year Ended June 30, 2014

Grant Series #	State Account Number	Award Amount	Award Deferred Revenue			Deferred Revenue June 30, 2014	Amount not Billed	Amount Collected in Current Year
			July 1, 2013	Amount Earned	Amount Billed			
G130622	0525-2014-2892-219-258	\$ 17,085	\$ -	\$ 17,085	\$ 17,085	\$ -	\$ 17,085	
G130622	8794-2013-2851-130-128-20711	30,745	-	30,745	30,745	-	30,745	
G130622	8794-2014-2851-130-128-20711	16,250	-	16,250	16,250	-	16,250	
G130622	8794-2014-3041-130-128-20711	13,594	-	13,594	13,594	-	13,594	
G130622	8793-2013-2884-130-128-21477	11,646	-	11,646	11,646	-	11,646	
G130622	8793-2014-2884-130-128-21477	20,708	-	20,708	20,708	-	20,708	
G130622	8793-2014-2892-130-128-21477	32,962	-	32,962	32,962	-	32,962	
G130622	8793-2014-2891-130-128-21477	90,230	-	90,230	90,230	-	90,230	
	Total for Grant G130622	233,220.00	-	233,220.00	233,220.00	-	233,220.00	
G140013	0525-2007-2874-803-258-13124	124,173	-	124,173	124,173	-	103,480	
G140013	0525-2013-3065-219-258	91,928	-	91,928	91,928	-	-	
G140013	0525-2012-3065-219-258	91,928	-	91,928	91,928	-	29,242	
G140013	0525-2014-2851-219-258	952,840	-	952,840	952,840	-	904,575	
G140013	0525-2014-2851-219-258	313,686	-	313,686	313,686	-	285,464	
G140013	0525-2014-3701-219-258-12426	31,429	-	30,154	30,154	1,275	26,634	
G140013	0525-2014-2867-221-258	77,221	-	77,221	77,221	-	62,591	
G140013	0525-2014-3744-219-258-12426	197,323	-	197,323	197,323	-	163,624	
G140013	0525-2014-3115-219-258-12426	440,000	-	440,000	440,000	-	393,577	
G140013	0525-2014-3743-219-258-12426	160,000	-	156,746	156,746	3,254	117,023	
G140013	0525-2014-2890-219-258-13121	354,083	-	354,083	354,083	-	263,904	
G140013	0525-2014-3701-219-258	408,711	-	393,422	393,422	15,289	331,183	
G140013	0525-2014-2885-219-258	29,350	-	29,350	29,350	-	29,350	
G140013	0525-2014-3702-219-258	47,964	-	47,964	47,964	-	37,050	
G140013	0525-2014-2919-219-258-13126	60,000	-	60,000	60,000	-	43,270	
G140013	0525-2014-3703-335-258	1,178,488	-	1,165,199	1,165,199	13,289	968,583	
	Total for Grant G140013	4,559,124	-	4,526,017	4,526,017	33,107	3,759,550	
G140079	8794-2015-3041-130-128-22008-13113	16,250	-	3,186	3,186	13,064	-	
G140079	8794-2014-3041-130-128-22008-13113	48,750	-	48,750	48,750	-	43,978	
G140079	8793-2014-2884-130-128-22684-13120	18,802	-	6,802	6,802	12,000	4,183	
G140079	8793-2015-2884-130-128-22684-13120	6,268	-	-	-	6,268	-	
G140079	8793-2014-2884-130-128-22684-13125	78,664	-	54,537	54,537	24,127	45,509	
G140079	8793-2015-2884-130-128-22684-13125	26,221	-	-	-	26,221	-	
G140079	8793-2014-2892-130-128-22684-13117	49,259	-	25,709	25,709	23,550	25,709	
G140079	8793-2014-2892-130-128-22684-13120	25,729	-	12,765	12,765	12,964	9,641	
G140079	8793-2015-2892-130-128-22684-13120	8,576	-	-	-	8,576	-	
G140079	8793-2014-2891-130-128-22684-13133	346,257	-	346,257	346,257	-	301,494	
G140079	8793-2015-2891-130-128-22684-13133	115,419	-	53,938	53,938	61,481	-	
	Total for Grant G140079	740,195	-	551,944	551,944	188,251	430,514	
G140741	8802-2014-3062-130-128-22125	4,000	-	4,000	4,000	-	1,200	
G140077	0525-2013-2888-354-258-13130	140,000	-	72,383	72,383	67,617	52,940	
G140002	8794-2014-2913-130-128-22008	143,335	-	114,717	114,717	28,618	99,276	
	Total	\$ 5,819,874	\$ -	\$ 5,502,281	\$ 5,502,281	\$ 317,593	\$ 4,576,700	

Valley HealthCare System  
 BHFF Assets - Equipment and Automobiles  
 Cumulative Property Schedule - June 30, 2014

Description	Asset Type	ID	Date	Life	Amount	State Account Number
Computer - Mitsuba PC - 386 DX 33	Computer	2014	3/1/1980	5	\$ 1,677	Unknown
Workstation - L-Shaped Exec. W/5 drawers	Computer	2488	8/1/1979	10	1,473	Unknown
Filing Cabinet Unit - Med Records	Computer	2623	8/1/1979	10	3,489	Unknown
Monitor - Mitsuba 14"	Computer	2651	3/1/1980	5	543	Unknown
Panasonic KX-P1124	Computer	2854	3/1/1980	5	671	Unknown
Quantex 386 SX/33	Computer	2427	3/1/1980	5	919	Unknown
Tatung 14" Monitor	Computer	2063	3/1/1980	5	291	Unknown
Tatung 14" Monitor	Computer	130	3/1/1980	5	291	Unknown
Credenza - Wooden W/Shelves	Computer	2258	3/1/1980	10	2,598	Unknown
Desk - Yellow W/Typewriter Space	Computer	2423	3/1/1980	10	543	Unknown
Desk - Orange W/Typewriter Space	Computer	2061	3/1/1980	10	543	Unknown
Couch - Blue/Black Tweed Fabric	Computer	2332	3/1/1980	10	565	Unknown
Bed - Hospital W/Rails	Furniture	1616	3/1/1980	10	950	Unknown
Bed - Hospital W/Rails	Furniture	1617	3/1/1980	10	950	Unknown
Couch - Blue Plaid	Computer	2507	9/1/1989	10	565	Unknown
Seating Set - Peach Printed Vinyl W/Table	Computer	2581	1/14/1991	10	950	Unknown
Couch - Blue/Brn Tweed Chrome	Computer	2444	1/14/1991	10	565	Unknown
Couch - Orange/Blue Striped	Computer	2523	1/14/1991	10	565	Unknown
Typewriter - Smith Corona	Computer	2492	1/17/1991	10	600	Unknown
Couch - Red Fabric W/Cushion	Furniture	1956	1/17/1991	10	711	Unknown
Refridgerator- Whirlpool Mach I Series	Computer	2281	1/17/1991	10	650	Unknown
Seating Set - Peach Printed Vinyl W/Table	Computer	2280	1/17/1991	10	950	Unknown
Seating Set - Peach Printed Vinyl W/Table	Computer	2586	1/17/1991	10	950	Unknown
Seating Set - Peach Printed Vinyl W/Table	Computer	2579	2/26/1991	10	950	Unknown
Seating Set - Peach Printed Vinyl W/Table	Computer	2578	2/26/1991	10	950	Unknown
Desk - Gold W/Woodgrain Top	Furniture	1909	2/26/1991	10	543	Unknown
Couch - Brown	Furniture	379	7/16/1991	10	565	Unknown
Seating Set - Peach Printed Vinyl W/Table	Computer	2582	9/9/1991	10	950	Unknown
Desk - Woodgrain Top/Tan W/5 drawers	Computer	2644	11/7/1991	10	543	Unknown
Love Seat - Brn & Beige Tweed	Furniture	1924	5/25/1995	10	658	Unknown
Resprionic - Resp 367100	Equipment	5000	5/25/1995	10	1,995	Unknown
Bed - Hospital W/Rails	Furniture	1622	7/28/1995	10	950	Unknown
Bed - Hospital W/Rails	Furniture	1623	7/28/1995	10	950	Unknown
Bed - Hospital W/Rails	Furniture	1609	8/4/1995	10	950	Unknown
Couch - Maroon	Computer	2244	10/4/1995	10	565	Unknown
Wheelchair	Equipment	5000	1/25/1996	10	2,210	Unknown
Wheelchair	Equipment	5000	1/25/1996	10	4,643	Unknown
Wheelchair	Equipment	5000	1/25/1996	10	4,675	Unknown
Resprionic - Rem Star	Equipment	5000	1/25/1996	10	1,496	Unknown
Wheelchair Lift	Equipment	5000	1/25/1996	10	2,699	Unknown
Bath Buddy	Equipment	5000	1/25/1996	10	525	Unknown
Bath Buddy	Equipment	5000	1/25/1996	10	525	Unknown
Loveseat - Check Fabric W/Wood base	Furniture	1083	1/25/1996	10	891	Unknown
Couch - Mauve Tweed	Furniture	1500	1/25/1996	10	565	Unknown
PC-Gatway GA 4DX2-66 & moneywork 3.0	Computer	849	12/31/1997	5	1,284	0525-2012-3115-219-252
Workstation - Thompson's 30x72	Computer	2032	12/31/1997	10	675	Unknown
Workstation - Thompson's 30x72	Computer	2025	12/31/1997	10	675	Unknown
Monitor Crystalscan 14"	Equipment	5000	1/30/1998	5	265	Unknown
Computer Desk - Champion 24x60	Furniture	2001	3/17/1998	10	510	Unknown
Filing Cabinet - Vertical File	Furniture	1996	3/17/1998	10	625	Unknown
Filing Cabinet - Vertical File	Furniture	1998	3/17/1998	10	625	Unknown
Monitor Crystalscan 14"	Furniture	1038	3/30/1998	5	265	0525-2006-2874-803-258
Computer Desk - Champion 24x60	Furniture	1994	4/2/1998	10	510	Unknown
Computer Desk - Champion 24x60	Furniture	1997	4/5/1998	10	510	Unknown
Computer Desk - Champion 24x60	Furniture	1999	4/5/1998	10	510	Unknown
Credenza - Woodgrain Top	Furniture	1057	9/8/1998	10	600	Unknown
Credenza - Woodgrain Top	Furniture	1065	4/8/1999	10	500	Unknown
Credenza - Woodgrain Top	Furniture	1092	7/15/1999	10	500	Unknown
TV/VCR combo - RCA 20"	Computer	1084	9/10/1999	10	569	Unknown
Monitor EV 500 13.9	Computer	2073	5/2/2000	5	218	5192-1998-2874-099-252
Speakers - LAB LCS-1014	Computer	1331	5/2/2000	5	27	8793-1998-2885-096-252-02060
Rembrandt PC - Pentium 166	Computer	902	5/2/2000	5	1,347	8793-1998-2885-096-252-02060
Gateway - 2300 Deluxe Pentium PC	Computer	2074	5/2/2000	5	2,723	Unknown
HoyerLift - Sunmed HPL 400	Computer	2970	5/2/2000	10	1,854	Unknown
Electric Bed - Proserv Medical	Equipment	5000	5/2/2000	10	630	Unknown
Electric Bed - Proserv Medical	Equipment	5000	5/2/2000	10	945	Unknown
Lift Chair	Equipment	5000	5/2/2000	10	625	Unknown
Ropes Course - ACT Unit - Fairmont	Equipment	5000	5/2/2000	10	23,795	Unknown
Additional Mulch for Ropes Course-51	Equipment	5000	5/2/2000	10	865	Unknown
HP Laserjet 6PXi Laser	Equipment	5000	5/4/2000	5	763	Unknown
Speakers - LAB LCS-1014	Equipment	901	5/4/2000	5	27	8793-1998-2885-096-252-02060
HoyerLift - Sunmed HPL 400	Computer	2919	5/4/2000	10	1,824	Unknown
Electric Bed - Proserv Medical	Equipment	5000	5/4/2000	10	945	Unknown
Outbuilding for Adolescent (CrossRoads)-51	Equipment	5000	5/4/2000	10	2,374	Unknown

(Continued)

Valley HealthCare System  
 BHFF Assets - Equipment and Automobiles  
 Cumulative Property Schedule - June 30, 2014

Description	Asset Type	ID	Date	Life	Amount	State Account Number
Solo 2150CL- Laptop	Computer	3451	5/4/2000	5	2,968	Unknown
Gateway Monitor - EV700 17" W 15.9 Viewable	Equipment	5000	5/4/2000	5	302	Unknown
Gateway GCS-200 Speakers	Equipment	5000	5/4/2000	5	53	Unknown
Gateway Essential 433C PC	Computer	3453	6/23/2000	5	1,156	Unknown
Gateway Monitor - EV700 17" W 15.9 Viewable	Equipment	5000	9/10/2000	5	302	Unknown
Gateway GCS-200 Speakers	Equipment	5000	7/10/2001	5	53	Unknown
Gateway Essential 433C PC	Computer	3459	3/1/2003	5	1,156	Unknown
Gateway Monitor - EV700 17" W 15.9 Viewable	Equipment	5000	3/1/2003	5	302	Unknown
Gateway GCS-200 Speakers	Equipment	5000	3/1/2003	5	53	Unknown
Gateway Essential 433C PC	Computer	3448	3/1/2003	5	1,156	Unknown
Gateway Monitor - EV700 17" W 15.9 Viewable	Equipment	5000	3/1/2003	5	302	Unknown
Gateway GCS-200 Speakers	Equipment	5000	3/1/2003	5	53	Unknown
Gateway Essential 433C PC	Computer	3465	3/1/2003	5	1,156	Unknown
Gateway Monitor - EV700 17" W 15.9 Viewable	Equipment	5000	3/1/2003	5	302	Unknown
Gateway GCS-200 Speakers	Equipment	5000	3/1/2003	5	53	Unknown
Gateway Monitor - EV700 17" W 15.9 Viewable	Equipment	5000	3/1/2003	5	302	Unknown
Gateway GCS-200 Speakers	Equipment	5000	3/1/2003	5	37	Unknown
Gateway Monitor EV 700 W/ 15.9 Viewable	Equipment	5000	3/1/2003	5	293	Unknown
Livingston Router	Equipment	5000	3/1/2003	5	750	Unknown
Alcohol Sensors - Act Unit	Equipment	5000	3/1/2003	5	1,063	Unknown
Compaq Monitor - S7500 17"	Computer	4065	3/1/2003	5	193	0525-2009-3703-335-252
Compaq Monitor - S7500 17"	Computer	4058	3/1/2003	5	193	0525-2009-3703-335-252
Compaq Monitor - S7500 17"	Computer	4052	3/1/2003	5	193	0525-2009-3703-335-252
Compaq Monitor - S7500 17"	Computer	4055	3/1/2003	5	193	0525-2009-3703-335-252
Compaq Monitor - S7500 17"	Computer	4011	3/1/2003	5	193	0525-2003-2874-803-252
Compaq Monitor - S7500 17"	Computer	4051	4/10/2003	5	193	0525-2009-3703-335-252
Compaq Monitor - S7500 17"	Computer	4060	5/14/2003	5	193	0525-2009-3703-335-252
Compaq Monitor - S7500 17"	Computer	4063	5/14/2003	5	193	0525-2009-3703-335-252
Compaq Monitor - S7500 17"	Computer	4059	5/4/2004	5	193	0525-2009-3703-335-252
Compaq Labtop - EVO N800V P4	Computer	4066	8/19/2004	5	1,663	0525-2009-3703-335-252
Compaq Labtop - EVO N800V P4	Computer	4067	2/7/2005	5	1,663	0525-2009-3703-335-252
Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4037	6/6/2005	5	833	0525-2009-3703-335-252
Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4032	6/6/2005	5	833	0525-2009-3703-335-252
2005 Chevrolet V3500	Vehicle	501	2/22/2006	7	33,678	Unknown
2005 Chevrolet V3500	Vehicle	0502	2/22/2006	7	20,580	0525-2006-2874-803-258
Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4034	8/10/2006	5	833	0525-2009-3703-335-252
CDW - SB NC8000 1.6 40GB CRW XPP LAPTOP PC	Computer	4115	9/11/2006	5	1,982	0525-2009-3703-335-252
Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4010	9/12/2006	5	833	Unknown
Billiard Table and Accessories	Equipment	5000	9/12/2006	7	718	Unknown
CDW LapTop PC TOS 6100 - CRW XPP	Equipment	5000	9/12/2006	5	1,604	Unknown
CDW INFOCUS XGA Projector	Equipment	5000	9/12/2006	5	3,138	Unknown
CDW Laptop HP NC8000 CRW XPP - Compaq	Computer	4271	9/12/2006	5	1,815	0525-2009-3703-335-252
LapTop PC - CDW HP CPQ NC8000 C9/1.5 40GB CRW XPP	Equipment	5000	9/12/2006	7	1,913	Unknown
HP SB NC8000 40GB CRW XPP - Lap Top	Computer	4301	9/12/2006	5	1,976	0525-2009-3703-335-252
HP LapTop - CDW	Equipment	5000	10/20/2006	5	1,709	Unknown
PC - CDW - HP-DC5100 40GB -XPP-w/Kingston memory Upgrade	Equipment	5000	10/20/2006	5	948	Unknown
Monitor - CDW - Acer AL1912B - 19 inch	Equipment	5000	10/20/2006	5	332	Unknown
Monitor - CDW - Acer AL1912B - 19 inch	Equipment	5000	10/20/2006	5	332	Unknown
Shower Trolley - Accessible Environments Inc.	Equipment	5000	10/20/2006	5	3,608	Unknown
PC - HP DC7600 W/Planar 17in PL 1700 Monitor	Computer	4406	10/20/2006	5	1,694	Unknown
Planar 17in PL 1700 Monitor	Computer	4416	10/20/2006	5	214	Unknown
PC - HP DC7600 W/Planar 17in PL 1700 Monitor	Computer	4407	10/26/2006	5	1,694	Unknown
PC - HP DC7600 W/Planar 17in PL 1700 Monitor	Computer	4405	10/26/2006	5	1,694	Unknown
Planar 17in PL 1700 Monitor	Computer	4402	10/26/2006	5	214	0525-2009-3703-335-252
PC - HP DC7600 W/Planar 17in PL 1700 Monitor	Computer	4404	10/26/2006	5	1,694	Unknown
Planar 17in PL 1700 Monitor	Computer	4401	11/15/2006	5	214	0525-2009-3703-335-252
Laptop PC HP NX 9420	Computer	4389	11/15/2006	5	2,163	0525-2009-3703-335-252
Phone System - Handsets - for Cisco phone system	Equipment	5000	11/15/2006	20	4,998	0525-2007-3701-219-252/258
Phone System - Catalyst - 3560 2SFP Standard Image	Computer	4525	11/15/2006	20	3,347	0525-2007-3701-219-252/258
Phone System - GE WFP LC Connector SX transceiver	Computer	4525	11/15/2006	20	441	0525-2007-3702-219-252/258
Phone System - GE WFP LC Connector SX transceiver	Computer	4525	11/15/2006	20	441	0525-2007-3702-219-252/258
Phone System - GE WFP LC Connector SX transceiver	Computer	4525	3/6/2007	20	441	0525-2007-3702-219-252/258
Phone System - GE WFP LC Connector SX transceiver	Computer	4525	3/6/2007	20	441	0525-2007-3702-219-252/258
Phone System - Telecom installation	Equipment	5000	3/6/2007	20	820	0525-2007-3701-219-252/258
HON- Corner Desk - Champion	Computer	4462	3/6/2007	10	783	0525-2007-3701-219-252/258
HON- Corner Desk - Champion	Computer	4497	10/1/2007	10	783	0525-2007-3701-219-252/258
HON- Corner Desk - Champion	Computer	4455	10/1/2007	10	783	0525-2007-3701-219-252/258
HON- Corner Desk - Champion	Computer	4487	11/7/2007	10	783	0525-2007-3701-219-252/258
HON- Corner Desk - Champion	Computer	4467	12/1/2007	10	783	0525-2007-3701-219-252/258
HON- Corner Desk - Champion	Computer	4516	2/12/2008	10	684	0525-2007-3701-219-252/258
PC - HP DC7600 - 80 GB w/MS PRO Plus 2007 - CDW	Computer	4545	3/12/2008	5	1,667	0525-2009-2870-803-252
PC - HP DC7600 - 80 GB w/MS PRO Plus 2007 - CDW	Computer	4529	3/12/2008	5	1,667	0525-2009-2870-803-252
PC - HP DC7600 - 80 GB w/MS PRO Plus 2007 - CDW	Computer	4544	3/12/2008	5	1,667	0525-2009-2870-803-252
PC - HP DC7600 - 80 GB w/MS PRO Plus 2007 - CDW	Computer	4528	3/28/2008	5	1,667	Unknown

(Continued)

Valley HealthCare System  
 BHFF Assets - Equipment and Automobiles  
 Cumulative Property Schedule - June 30, 2014

Description	Asset Type	ID	Date	Life	Amount	State Account Number
PC - HP DC7600C - 80 GB w/MS PRO Plus 2007 - CDW	Equipment	5000	6/30/2008	5	1,132	Unknown
Monitor - Planar 1700 - 17in LCD - CDW	Equipment	5000	6/30/2008	5	191	Unknown
PC - HP DC7600C - 80 GB w/MS PRO Plus 2007 - CDW	Computer	4554	7/9/2008	5	1,132	Unknown
Monitor - Planar 1700 - 17in LCD - CDW	Equipment	5000	7/9/2008	5	191	Unknown
PC-HP SB 67108 17100 80 GB w/DVR - CDW	Computer		7/9/2008	5	1,764	0525-2012-3115-219-252
2008 Ford Van	Vehicle	804	9/23/2008	7	28,698	0525-2009-3703-335-252
2006 PT CRUISER	Vehicle	603	1/13/2009	7	7,805	0525-2009-2870-803-252
2009 Ford Econline Van	Vehicle	902	3/24/2009	7	29,242	0525-2009-3703-335-252
Monitor-Planar PL1900 19"-CDW	Computer		4/14/2009	5	287	0525-2006-2874-803-258
Refrigerator/Freezer	Furniture		4/14/2009	5	667	0525-2012-3115-219-252
DVD Burner	Equipment		4/14/2009	5	1,813	0525-2009-3703-335-252
Computer	Computer		4/14/2009	5	1,237	8723-2004-2852-096-128-10550
PC- SB DC5700 CE4300-80 GB w/PRO Plus 2007-CDW	Computer		4/17/2009	5	1,416	0525-2012-3115-219-252
Scanners-EMR GRANT	Computer		6/17/2009	5	5,640	0525-2012-3115-219-252
Computer-EMR GRANT	Computer		7/20/2009	5	1,674	8723-2004-2852-096-128-10550
Signature Pads-EMR GRANT	Computer		8/18/2009	5	3,488	0525-2012-3115-219-252
Dishwasher	Furniture		8/18/2009	5	667	Unknown
Wii System	Computer		8/18/2009	5	711	0525-2012-3115-219-252
Dining Set	Furniture		8/18/2009	5	530	8723-2004-2852-096-128-10550
Dining Set	Furniture		8/18/2009	5	530	8723-2004-2852-096-128-10550
PC-HP XW4600T E8400 250GB XPP W/DVR - CDW	Computer	5221	8/18/2009	5	1,486	Unknown
Monitor-Viewsonic VC2030WM 20" Wide - CDW	Computer	5219	8/25/2009	5	316	Unknown
Monitor-Viewsonic VC2030WM 20" Wide - CDW	Computer	5220	9/29/2009	5	316	Unknown
Phone Equipment	Equipment		11/20/2009	5	5,726	0525-2012-3115-219-252
New Transmission on 2009 Ford Econline Van	Vehicle	On 902	7/1/2010	7	1,325	0525-2011-3703-335-258
2011 Ford - 12 Passenger Van	Vehicle	7888	8/15/2011	7	31,593	0525-2007-3115-219-252
PC HP DC5800 E7200 160GB w/ Office PRO Plus 2007 - CDW	Computer	5262	8/24/2011	5	888	Unknown
2012 4x4 Passenger Van	Vehicle		5/1/2012	7	47,897	0525-2012-3115-219-252
PC HP DC5800 E7200 160GB w/ Office PRO Plus 2007 - CDW	Computer	5263	9/1/2013	5	888	Unknown
Monitor - Viewsonic VA926 19"-CDW	Computer	5261	4/14/2009	5	205	Unknown
Monitor - Viewsonic VA926 19"-CDW	Computer	5260	4/14/2009	5	205	Unknown
XEROX PHASER	Equipment		6/17/2009	5	2,224	0525-2012-3115-219-252
Laptop 1 OF 6 (was RU 320) Lenovo TS X200T SL9400 - CDW	Computer	5272	8/18/2009	5	2,033	Unknown
Laptop 2 OF 6 (was RU 320) Lenovo TS X200T SL9400 - CDW	Computer	5268	8/18/2009	5	2,033	Unknown
Laptop 3 OF 6 (was RU 320) Lenovo TS X200T SL9400 - CDW	Computer	5269	8/18/2009	5	2,033	Unknown
Laptop 4 OF 6 (was RU 320) Lenovo TS X200T SL9400 - CDW	Computer	5279	8/18/2009	5	2,033	Unknown
Laptop 5 OF 6 (was RU 320) Lenovo TS X200T SL9400 - CDW	Computer	5281	8/18/2009	5	2,033	Unknown
Laptop 6 OF 6 (was RU 320) Lenovo TS X200T SL9400 - CDW	Computer	5280	8/18/2009	5	2,033	Unknown
HP Z400 COMPUTER - CDW	Computer	5278	8/25/2009	5	1,703	Unknown
Storage Building - Browns Mill	Equipment		9/29/2009	10	1,060	0525-2012-3115-219-252
Generator - Model No QT060224AVSN	Equipment		11/20/2009	10	27,369	0525-2009-3703-335-252
Ansul Range Hood - V5546 #61654	Equipment		8/11/2024	10	2,164	0525-2007-3115-219-252
Generator - Browns Mill II	Equipment		9/1/2013	10	25,986	0525-2009-3703-335-252

Total BHFF Assets - Equipment and Automobiles

\$ 477,073

Valley HealthCare System  
 BHHF Assets - Leaseholds, Land and Buildings  
 Cumulative Property Schedule - June 30, 2014

Description	Asset Type	Date	Amount	Life	State Account Number
Unknown Improvements	Bldg Imp	7/1/1992	\$ 6,060	10	Unknown
Tiling for Valley Main Office - Halls Classic Carpets	Bldg Imp	1/23/2004	33,749	10	0525-2004-3041-219-252
Sewer Upgrade at ACT Unit - T.Chickereil	Bldg Imp	8/3/2001	19,000	10	Unknown
Decking Addition - ACT Unit	Bldg Imp	8/31/2001	1,132	10	Unknown
Marion Day Treatment - Paul Rice	Bldg Imp	6/1/1991	8,292	10	Unknown
Drywall, Lumber, ect - RU 505 STRU - Lowe's*	Bldg Imp	8/12/2003	631	10	Unknown
Fire Door - B&B Glass*	Bldg Imp	8/12/2003	2,141	10	Unknown
Smoke Alarm/Security System - Secure US*	Bldg Imp	8/12/2003	1,140	10	Unknown
Carpeting - Hall's Carpeting*	Bldg Imp	8/12/2003	2,192	10	Unknown
Drywall, Lumber, ect - RU 505 STRU - Lowe's*	Bldg Imp	8/12/2003	1,773	10	Unknown
New Door for Crisis Unit plus remodeling of windows	Bldg Imp	8/12/2003	2,353	10	Unknown
Dumpster Pad	Bldg Imp	6/10/2008	5,500	10	0525-2008-3703-335-252
Generator	Bldg Imp	7/1/2008	21,300	10	0525-2008-3703-335-252
Deck and Double Doors	Bldg Imp	7/1/2008	7,000	10	0525-2008-3703-335-252
Building - Office	Building	7/1/1977	1,620,404	20	Unknown
Roof Replacemnt	Building	10/1/1989	175,802	10	Unknown
Eng. Fees - Roof	Building	10/1/1989	6,801	10	Unknown
Architect Services - Gustafson	Building	6/1/1994	9,216	10	Unknown
Roadway Work - Harman Const.	Building	10/31/1994	11,900	10	Unknown
Brewer & Co. - Sprinkler System	Building	12/20/1994	16,839	10	Unknown
Accordia - Builders Risk Insurance	Building	1/19/1995	900	10	Unknown
Emsweller - Fire Alarm System	Building	2/10/1995	3,817	10	Unknown
Water Line - Chickereil Excavating	Building	4/21/1995	5,382	10	Unknown
Construction Costs - Huffman	Building	5/3/1995	395,119	10	Unknown
Architect Services - Gustafson	Building	6/15/1995	24,533	10	Unknown
Brewer & Co. - Breaker Boxes	Building	7/1/1995	233	10	Unknown
Architect Services - Gustafson	Building	7/15/1995	694	10	Unknown
Emsweller - Manual Station	Building	8/14/1995	125	10	Unknown
Drapery Sales & Service	Building	8/17/1995	999	10	Unknown
Emsweller - Fire Alarm	Building	9/2/1995	1,909	10	Unknown
Brewer & Co. - Sprinkler System	Building	9/8/1995	1,115	10	Unknown
Decking Addition - Huffman	Building	9/29/1995	3,484	10	Unknown
Construction Costs - Huffman	Building	11/17/1995	6,965	10	Unknown
Adjustment - 1995	Building	12/31/1995	(1,080)	10	Unknown
Traffic Circle in Parking Lot - 301 Scott Ave	Land Imp	9/26/2003	11,364	10	0525-2004-3041-219-252
ACT Unit Sewage Line relocate	Land Imp	5/30/2006	19,825	10	5207-2006-2856-099-252 9745
Paving/Excavation	Land Imp	5/12/2008	13,712	10	Unknown
Land - Office	Land	11/2/1981	60,500	N/A	Unknown
Land - ACT Unit	Land	12/31/1995	60,005	N/A	Unknown
Pixler Hill Building Improvements	Lease	2/1/1991	20,000	5	Unknown
Pixler Fire Improvements	Lease	6/1/1991	50,000	5	Unknown
Pixler Hill - Building	Lease	6/1/1991	50,000	10	Unknown
Stone Grading - Pixler	Lease	3/1/1992	2,500	5	Unknown
Plumbing & Fire Conversions	Lease	2/5/1998	20,016	20	5192-1998-2874-099-252
Office Conversion to Shower Room	Lease	2/18/1998	14,500	20	5192-1998-2874-099-252
Concrete Driveway - Sabraton	Lease	5/5/1998	950	10	Unknown
Plumbing & Fire Conversions	Lease	2/5/1998	6,759	20	5192-1998-2874-099-252
Wood Floor @ McCartney Ave	Lease	12/4/2000	3,867	5	Unknown
Plumbing & Fire Conversions	Lease	2/5/1998	14,754	20	5192-1998-2874-099-252
White Vinyl Fence in Front Yard	Lease	11/13/1998	3,300	10	Unknown
Plumbing & Fire Conversions	Lease	2/5/1998	4,574	20	5192-1998-2874-099-252
Rear Entrance Ramp @ Harlem St.	Lease	9/28/1998	3,300	20	Unknown
Carpet @ Harlem Street	Lease	11/14/2000	1,246	5	Unknown
Plumbing & Fire Conversions	Lease	2/5/1998	4,574	20	5192-1998-2874-099-252
Plumbing & Fire Conversions	Lease	2/5/1998	24,095	20	5192-1998-2874-099-252
Office Conversion to Shower Room	Lease	2/18/1998	\$ 14,500	20	5192-1998-2874-099-252
Total BHHF Assets-Leasehold, Land, and Buildings			\$ 2,801,761		

**VALLEY HEALTHCARE SYSTEM  
BUREAU FOR BEHAVIORAL HEALTH AND HEALTH FACILITIES  
SCHEDULE OF STANDARDIZED FINANCIAL STATEMENTS - BALANCE SHEET  
FOR COMPREHENSIVE AND MR/DD FACILITIES  
ACCRUAL BASIS**

**June 30, 2014**

**ASSETS**

<b>CURRENT ASSETS:</b>	
1. Cash	3,787,806
2. Short-term investments	-
3. Accounts receivable - BHHF	927,802
4. Accounts receivable - Client	109,250
5. Accounts receivable - Medicaid	481,158
6. Accounts receivable - Medicaid MR/DD Waiver	809,637
7. Accounts receivable - Other	61,423
7a. Allowance for doubtful accounts	(99,061)
8. Inventory	-
9. Prepaid/Other	<u>134,413</u>
10. TOTAL CURRENT ASSETS (total of lines 1-9)	6,212,428
<b>NON-CURRENT ASSETS:</b>	
<b>FIXED ASSETS</b>	
11. Property, land, and equipment - BHHF	3,279,854
12. Less accumulated depreciation	(2,954,395)
13. Property, land, and equipment - Other	4,265,885
14. Less accumulated depreciation	<u>(2,576,685)</u>
15. Total property, land, and equipment (NET)	2,014,659
<b>OTHER NON-CURRENT ASSETS:</b>	
16. Long-term investments	241,842
17. Other	<u>-</u>
18. TOTAL ASSETS (Total of lines 10, 15, 16, and 17)	<u><u>\$ 8,468,929</u></u>

**LIABILITIES**

<b>CURRENT LIABILITIES:</b>	
19. Accounts payable	\$ 533,919
20. Taxes payable	104,990
20a. Provider taxes payable	36,096
21. Line of credit - payable	-
22. Short-term notes payable	113,806
23. Accrued expenses	472,660
24. Other current liabilities	<u>998,129</u>
25. TOTAL CURRENT LIABILITIES (Total of lines 19-24)	2,259,600
<b>LONG-TERM LIABILITIES</b>	
26. Long-term notes payable	594,601
27. Other long-term liabilities	<u>1,354,435</u>
28. TOTAL LIABILITIES (Total of lines 25, 26, and 27)	4,208,636
<b>NET ASSETS</b>	
29. Unrestricted net assets	\$ 4,260,293
30. Board designated net assets	-
31. Permanently restricted net assets	<u>-</u>
32. TOTAL LIABILITIES AND NET ASSETS (Total of lines 28-31)	<u><u>\$ 8,468,929</u></u>

See Independent Auditor's Report.

**VALLEY HEALTHCARE SYSTEM  
BUREAU FOR BEHAVIORAL HEALTH AND HEALTH FACILITIES  
SCHEDULE OF STANDARDIZED FINANCIAL STATEMENTS  
STATEMENT OF ACTIVITIES FOR COMPREHENSIVE AND MR/DD FACILITIES  
ACCURAL BASIS**

**Year Ended June 30, 2014**

**REVENUE AND SUPPORT**

1.	Charity Care	\$ -
1a.	Charity Care (BHFF target funds)	(619,849)
1b.	Charity Care (BHFF non-target funds)	(831,658)
1c.	Charity Care	-
1d.	Charity Care	-
1e.	Charity Care	-
1f.	Charity Care	-
1g.	Charity Care	(180,644)
1h.	Contractual write-off charity	-
1i.	Charity Care revenue	1,451,507
1j.	Supportive/Alternative Services Revenue	<u>180,644</u>
	Total (Should equal zero)	-
2.	Gross client service revenue	13,558,308
3.	Contractual adjustments (Target funds)	(619,849)
3a.	Contractual adjustments (Non-target funds)	<u>(368,685)</u>
5.	Net client service revenue	12,569,774
	Net client service revenue	-
6.	Medicaid (Target funds)	-
6a.	Medicaid (Non-target funds)	2,343,773
7.	Medicaid MR/DD waiver (Non-target funds)	9,423,124
8.	ICF/MR (Non-target funds)	-
9.	Private pay (Non-target funds)	627,641
9a.	Private pay (BHFF target funds)	-
9b.	Private pay (BHFF non-target funds)	-
10.	Other client service revenue (Target funds)	-
10a.	Other client service revenue (Non-target funds)	<u>175,236</u>
11.	Total net client service revenue (Line 11 must agree with line 5)	12,569,774
12.	BHFF support	6,205,554
13.	Other/Public support	24,446
14.	Other	<u>918,836</u>
15.	TOTAL REVENUE AND SUPPORT (Total of lines 11-14)	<u>19,718,610</u>
	<b>EXPENSES</b>	
16.	Salaries	10,011,084
17.	Fringe benefits	2,275,568
18.	Contractual services	2,584,808
19.	Provider tax	419,254
19b.	Bad debt	38,447
	Bad debt (BHFF target funds)	-
19c.	Bad debt (BHFF non-target funds)	-
20.	Depreciation expense	247,958
21.	Other expenses	<u>2,924,828</u>
22.	TOTAL EXPENSES (Total of lines 16-21)	<u>18,501,947</u>
23.	NET INCOME (LOSS)	<u>\$ 1,216,663</u>

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  
Valley HealthCare System  
Morgantown, 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 Valley HealthCare System (the Corporation), which comprise the statements of financial position as of June 30, 2014 and 2013, 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 December 10, 2014.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Corporation'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 Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 Corporation'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 Corporation'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*.

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

A handwritten signature in black ink that reads "Gibbons &amp; Kawash, A.C.".

Charleston, West Virginia  
December 10, 2014

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors  
Valley HealthCare System  
Morgantown, West Virginia

**Report on Compliance for Major Federal Program**

We have audited Valley HealthCare System's (the Corporation) compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on the Corporation's major federal program for the year ended June 30, 2014. The Corporation'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 the requirements of laws, regulations, contracts, and grants applicable to its federal program.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the Corporation'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 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 the major federal program occurred. An audit includes examining, on a test basis, evidence about the Corporation'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 the federal program. However, our audit does not provide a legal determination of the Corporation's compliance.

**Opinion on Major Federal Program**

In our opinion, the Corporation 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, 2014.

## Report on Internal Control Over Compliance

Management of the Corporation 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 Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Corporation's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Charleston, West Virginia  
December 10, 2014

VALLEY HEALTHCARE SYSTEM  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 Year Ended June 30, 2014

**Section I - Summary of Auditor's Results**

*Financial Statements*

Type of auditor's reports issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?  Yes  None reported
- Noncompliance material to financial statements noted?  Yes  No

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?  Yes  None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 501(a) of Circular A-133?

Yes  No

Identification of Major programs:

CFDA Number

Name of Federal Program or Cluster

93.959

Prevention and Treatment of Substance Abuse

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

Yes  No

VALLEY HEALTHCARE SYSTEM  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended June 30, 2014

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**Section II - Financial Statement Findings**

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None

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**Section III - Federal Award Findings and Questioned Costs**

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None