LOGAN-MINGO AREA MENTAL HEALTH, INC.

Audited Financial Statements

June 30, 2016 and 2015

LOGAN-MINGO AREA MENTAL HEALTH

Audited Financial Statements
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INDEPENDENT AUDITORS' 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 of the statement financial position as of June 30, 2016 and the related statement of activities and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' 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 consolidated 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 the Center as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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.

2015 Financial Statements

The financial statements of the Center as of and for the year ended June 30, 2015, were audited by another auditor whose report dated June 21, 2016, expressed an unmodified opinion on those statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2017, 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.

Gray, Griffith & Mays, a.c.

Charleston, West Virginia
May 10, 2017

Logan-Mingo Area Mental Health, Inc.

STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

ASSETS

	2016	2015
Current assets:		
Cash and cash equivalents	$ 97,821	$ 110,277
Accounts receivable, net	288,402	308,108
Grants receivable	142,508	853,076
Prepaids and other	41,424	-
Total current assets	570,155	1,271,461
Certificates of deposit	540,577	538,244
Property and equipment, less accumulated depreciation	905,143	902,130
Total assets	2,015,875	2,711,835

LIABILITIES AND NET ASSETS

	2016	2015
Current liabilities:		
Accounts payable	297,898	231,066
Accrued and withheld liabilities	227,021	252,225
Accrued annual leave	65,480	182,807
Line of credit	143,000	113,000
Obligation under capital lease	10,051	9,562
Total current liabilities	743,450	788,660
Obligation under capital lease	81,496	91,547
Total liabilities	824,946	880,207
Unrestricted net assets	1,190,929	1,831,628
Total liabilities and net assets	$ 2,015,875	$ 2,711,835

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

Logan-Mingo Area Mental Health, Inc.

STATEMENTS OF ACTIVITIES
Years Ended June 30, 2016 and 2015

	2016	2015
Operating revenues:		
Net patient revenue	$ 2,602,506	$ 2,282,393
Less: provision for bad debt	(32,104)	(19,343)
	2,570,402	2,263,050
State and federal grant	1,479,013	2,193,320
Local and county grant	-	25,835
Other operating income	586,388	261,563
Total revenues	4,635,803	4,743,768
Expenses and losses:		
Salaries and wages	3,168,399	3,086,299
Employee benefits	933,391	954,026
Contracted services	123,012	244,791
Facility	112,159	105,359
Repairs and maintenance	39,844	55,573
Travel	80,451	86,754
Provider tax	57,994	39,597
Depreciation	122,471	126,071
Food and drug	65,922	36,365
Miscellaneous	33,844	56,801
Office supplies	43,493	54,012
Telephone	34,400	37,563
Printing and postage	33,024	26,281
Professional fees	29,421	28,402
Subscriptions and books	15,321	25,806
Insurance	38,304	32,532
Accounting	84,514	84,399
Software	3,552	15,510
Crossroads expense	139,801	82,000
Rent	113,998	50,640
Interest expense	5,591	2,767
Total expenses	5,278,906	5,231,548
Deficiency of revenues over expenses	(643,103)	(487,780)
Nonoperating revenues:		
Interest	2,404	2,451
Change in net assets	(640,699)	(485,329)
Net assets, beginning of year	1,831,628	2,316,957
Net assets, end of year	$ 1,190,929	$ 1,831,628

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, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	$ (640,699)	$ (485,329)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Provision for bad debts	32,104	19,343
Depreciation	122,471	126,071
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(12,398)	(164,609)
Grants receivable	710,568	(581,972)
Other	(41,424)	1,500
(Increase) decrease in:		
Accounts payable	66,832	185,158
Accrued and withheld liabilities	(25,204)	57,075
Accrued annual leave	(117,327)	(20,483)
Net cash provided by (used in) operating activities	94,923	(863,246)
Cash flows from investing activities:		
Purchases of property and equipment	(125,484)	(26,374)
Purchases of certificates of deposit	(2,333)	(2,316)
Net cash used in investing activities	(127,817)	(28,690)
Cash flows from financing activities:		
Principal payments on capital lease obligations	(9,562)	(4,605)
Net borrowings on line of credit	30,000	113,000
Net cash provided by financing activities	20,438	108,395
Net decrease in cash and cash equivalents	(12,456)	(783,541)
Cash and cash equivalents, beginning of year	110,277	893,818
Cash and cash equivalents, end of year	$ 97,821	$ 110,277

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

	2016	2015
Donated vehicle	$ 55,980	$ -
Cash used for interest payments	$ 5,591	$ 2,767
Acquisition of building/land in exchange for capital lease	$ -	$ 105,714

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

1 – 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.

2 – SIGNIFICANT ACCOUNTING POLICIES

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. Amounts received from Medicare and Medicaid programs are generally less than the established billing rates and the difference is reported as contractual adjustments and deducted from gross revenue. The Center has various contractual agreements which determine the amount to be received. The allowance for doubtful accounts is based on management's experience, analysis of the age of individual accounts, and likelihood of collection. An allowance for doubtful accounts of $20,000 was recorded at June 30, 2016, and no allowance for uncollectible accounts was considered necessary at June 30, 2015. 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. Management believes that it is no longer subject to income tax examinations for years prior to 2013.

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.

Deficiency of Revenues over Expenses

The Statement of Activities includes deficiency of revenues over expenses and changes in net assets. The deficiency of revenues over expense include revenue and expenses considered to be associated with the operations of the Center. Changes in net assets include non-operating income which are excluded from the deficiency of revenue over expenses consistent with industry practice.

Reclassifications

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations.

New Accounting Pronouncements

On February 25, 2016, the Financial Accounting Standards Board (FASB) issued Leases (Topic: 842): Leases (ASU 2016-02). The objective of ASU 2016-02 is to increase the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing agreements. The effective date for this pronouncement is for fiscal years beginning after December 15, 2019. Early adoption of this pronouncement is permitted. Management is currently evaluating the impact this pronouncement will have on the Center's financial statements and has elected not to early implement this pronouncement at this time.

On August 18, 2016 the Financial Accounting Standards Board (FASB) issued Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14). The objective of ASU 2016-14 is to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entities liquidity, financial performance, and cash flows. The effective date for this pronouncement is for fiscal years beginning after December 15, 2017. Early adoption of this pronouncement is permitted. Management is currently evaluating the impact this pronouncement will have on the Center's financial statements and has elected not to early implement this pronouncement at this time.

Subsequent Events

The Center's management has evaluated events and transactions occurring after June 30, 2016, through the date of the Independent Auditors' Report, which is the date the financial statements were available to be issued.

2 – FAIR VALUE MEASUREMENTS

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 quotes prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three observable levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quotes 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 market 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 assets 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 output 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.
The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies at June 30, 2016 and 2015.

Certificates of deposit: Valued at amortized cost, which approximates fair value.

The following table sets forth by level, within the fair value hierarchy, the Center's assets at fair value as of June 30, 2016 and 2015:

	2016		
	Level I	Level II	Total
Investments measured at fair value:			
Certificates of deposit	$ -	$ 540,577	$ 540,577

	2015		
	Level I	Level II	Total
Investments measured at fair value:			
Certificates of deposit	$ -	$ 538,244	$ 538,244

3 – PROPERTY AND EQUIPMENT

	2016	2015
Land	$ 169,347	$ 169,347
Buildings and improvements	2,486,126	2,486,126
Vehicles	456,035	400,055
Equipment	674,167	674,167
Furniture	73,662	73,662
Leasehold improvements	82,576	-
Construction in progress	-	13,071
	3,941,913	3,816,428
Less accumulated depreciation	3,036,770	2,914,298
	$ 905,143	$ 902,130

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 $1,757,893 and $1,709,998 at June 30, 2016 and 2015, respectively. Land provided to the Center by the State amounted to $143,633 as of June 30, 2016 and 2015.

The cost of property and equipment purchased with Bureau of Behavioral Health and Health Facilities grant funds was $433,260 and $294,704, respectively, at June 30, 2016 and 2015, and related accumulated depreciation was $139,421 and $122,040, respectively, at June 30, 2016 and 2015.

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.

During the year ended June 30, 2016, the Center recognized in-kind revenue of $55,980, for the receipt of a vehicle donated by the State of West Virginia.

4 – LINE OF CREDIT AND SUBSEQUENT EVENTS

The Center has $150,000 available under a line of credit with a bank with $143,000 and $113,000 outstanding as of June 30, 2016 and 2015, respectively. The line of credit is renewable annually and bears interest at 2.30% and is secured by a certificate of deposit. In February 2017, the line of credit was renewed for a twelve month period, with an interest rate of 3.75%.

5 – 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 moths including an implicit rate of 5%. Building and land under capital lease include the following:

	2016	2015
Land	$ 25,714	$ 25,714
Building	80,000	80,000
	105,714	105,714
Less: accumulated amortization	(2,000)	-
	$ 103,714	$ 105,714

Future minimum lease payments under operating leases are as follows:

2017	$ 14,400
2018	14,400
2019	14,400
2020	14,400
2021	14,400
Thereafter	38,400
Future minimum lease payments	110,400
Less: Amount representing interest	18,853
Present value of future minimum lease payments	$ 91,547

6 – 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 year ended June 30, 2016, are as follows:

	2016
Net patient revenue:	
Medicaid	$ 3,297,739
Medicare	109,297
Private pay	69,550
Insurance and other	596,369
	4,072,955
Less contractual adjustments	(1,470,449)
	$ 2,602,506

7 – CONCENTRATIONS

Financial instruments which potentially expose the Center to significant concentrations of credit risk consist of cash and cash equivalents, certificate 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.

8 – 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, 2016 and 2015, are as follows:

	2016	2015
Health care services	$ 3,746,241	$ 3,598,591
General and administrative	1,532,665	1,632,957
	$ 5,278,906	$ 5,231,548

9 – 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, 2016 may result in the assertion of a claim. Management believes that these claims would be settled within the limits of insurance coverage.

10 – RISK MANAGEMENT

The Center maintains claims-made coverage for professional liability. Incidents occurring through June 30, 2016 may result in the assertion of claims. Other claims may be asserted arising from past services provided. Management believes that these claims, if asserted, would be settled within the limits of insurance coverage.

SUPPLEMENTARY INFORMATION

LOGAN-MINGO AREA MENTAL HEALTH, INC.

SCHEDULE OF BHHF FUNDED FIXED ASSETS
June 30, 2016

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 Charis/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 Charis/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

See independent auditors' repor t on accompanying financial information.

LOGAN-MINGO AREA MENTAL HEALTH, INC.

SCHEDULE OF BHHF FUNDED FIXED ASSETS
June 30, 2016

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
Improvements/LANDO	03/01/16	82,576	Substance Abuse
Van	05/03/16	55,980	Substance Abuse
		$ 433,260	

See independent auditors' report on accompanying financial information.

LOGAN-MINGO AREA MENTAL HEALTH, INC.

SCHEDULE OF BHHF FUNDING STATUS/STATE AWARDS
Year Ended June 30, 2016

Grant series	State Account Number	Current Year Award Amount	Award Extended From Prior Year	Refundable Advances June 30, 2015	Amount Earned and Billed	Refundable Advances June 30, 2016	Amount Not Billed	Amount Collected
G150189	0525-2015-0506-2888-21900-3206-3950-13123	$ -	$ 27,028	$ -	$ 27,028	$ -	$ -	$ 27,028
G150450	0525-0000-2015-0506-2891-21900-3206-3949-13121	-	93,288	-	93,288	-	-	93,288
G150450	8793-0000-2015-0506-2891-13000-3285-0000-13121-SAPT	-	6,110	-	6,110	-	-	6,110
G150450	0525-0000-2013-0506-2884-21900-3206-3949-13125	-	8,142	-	8,142	-	-	8,142
G150450	0525-2014-0506-2891-21900-3206-3949-13125	-	2,112	-	2,112	-	-	2,112
	Total for Grant G150450	-	109,652	-	109,652	-	-	109,652
G160369	2015-0525-0506-2916-21900-3526-0000-13140	60,000	-	-	45,155	-	14,845	41,142
G160413	2016-5207-0506-2884-09900-3256-00-JRIF	50,000	-	-	47,419	-	2,581	44,085
G160413	2016-5207-0506-2888-09900-3256-0000-13130-JRIF	35,000	-	-	35,000	-	-	31,889
G160413	2016-5207-0506-3701-09900-3256-0000-JRIF	45,000	-	-	43,922	-	1,078	39,517
	Total for Grant G160413	130,000	-	-	126,341	-	3,659	115,491
G160388	2014-0525-0506-3043-21900-3256-0000	84,000	-	-	80,339	-	3,661	73,115
G160429	2014-0525-0506-3081-35400-3256-0000-13131	50,000	-	-	42,057	-	7,943	37,113
G160482	2016-0525-0506-2851-21900-3256-0000-13144	231,924	-	-	209,734	-	22,190	193,836
G160482	2016-0525-0506-2851-21900-3256-0000-13144	549,625	-	-	505,113	-	44,512	466,265
	Total for Grant G160482	781,549	-	-	714,847	-	66,702	660,101
G160519	2016-8793-0506-2891-13000-3285-0000-13142-SAPT	159,563	-	-	117,452	-	42,111	99,917
G160519	2016-0525-0506-2891-21900-3256-0000-13141	520,400	-	-	216,142	-	304,258	172,946
	Total for Grant G160519	679,963	-	-	333,594	-	346,369	272,863
		$ 1,785,512	$ 136,680	$ -	$ 1,479,013	$ -	$ 443,179	$ 1,336,505

See independent auditors' report on accompanying financial information.

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INDEPENDENT AUDITORS' 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 statement of financial position, as of June 30, 2016, and the related statement of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 10, 2017.

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.

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. A *significant deficiency* is less severe than a material weakness, yet important enough to merit attention by those charge 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2016-001 and 2016-002 that we consider to be material weaknesses.

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 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.

Gray, Griffith & Mays, a.c.

Charleston, West Virginia
May 10, 2017

LOGAN-MINGO AREA MENTAL HEALTH, INC.

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2016

2016-001 Financial Reporting

Condition:

During the year, the Center implemented a number of controls and policies affecting financial reporting. These processes and controls, including supervisory review and approval, account reconciliations and analyses, were implemented to ensure the preparation of complete and accurate financial statements. As of June 30, 2016, some of the controls were not effective. The Center did not appropriately accrue for certain revenues and expenses, which may not completely and accurately reflect the financial condition of the Center.

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 account balances at June 30, 2016. 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 either not designed properly or were not operating effectively to ensure the preparation and fair presentation of financial statements in accordance with generally accepted accounting principl es throughout the year.

Recommendation:

The Center has hired a contract accountant to assist with, 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 ensuring supervisory, review and approval, as well as account reconciliations and analyses are being performed on a regular basis.

Management's Response

The Center recognizes the vital importance of adhering to established and documented policy in the accounting manual and end of period closing. The Director of Finance intends to establish training sessions for the accounting and accounts receivable staff.

Accruals effecting end of year will be made by the Center and will be timely to end of fiscal year closing and prior to starting the audit.

LOGAN-MINGO AREA MENTAL HEALTH, INC.

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2016

2016-002 Patient Service Transactions

Condition:

Patient service activity is recorded in the billing software, which includes invoicing, receipt of payment, recoding of contractual adjustments, and write-offs of accounts receivables. The patient service accounts receivable at June 30, 2016 was reported as gross billings. In addition, reconciliations of the billing software balances to the general ledger for patient service revenue accounts, contractual allowances, and bad debts were not prepared.

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.

Criteria:

Accounts receivable from the patient billing system should be recorded net of contractual allowances and include an allowance for doubtful accounts if deemed necessary. 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 revenues, 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 revenues, contractual allowances and bad debts. The Center has not developed formal policies or procedures to estimate contractual allowances or bad debts at the time of billing.

Recommendation:

We recommend the Center record monthly entries for patient service revenue, contractual adjustments, and debt, and accounts receivables based on reports generated from the billing software. Payments on patient accounts should be posted to the patient accounts in the billing system and to the general ledger control account net of contractual allowances. A formal revenue cycle policy should be developed to document the policies and procedures for determining collectability of patient accounts and proper reporting and reconciling of patient service revenue.

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.

LOGAN-MINGO AREA MENTAL HEALTH, INC.

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2016

Management's Response:

The Center is aware a reconciliation should occur between the billing software and the accounting software. A reconciliation was prepared by the Center and provided to the Auditors for Fiscal Year 2016. Another analysis documenting FY2016 activity occurring after 6/30/2016 was prepared by the Center and provided to the Auditors. We believe the third sentence in Finding 2016-002 is not reflective of reconciliations and analysis prepared by the Center and provided to the Auditor.

The Center agrees a formal policy for review and collection of Accounts Receivable outstanding balances should be in place and will develop a formal policy by 6/30/2017. The Director of Finance and staff do currently review and evaluate collectability and do currently document those collection efforts in the billing software. The Center believes this collection activity is reflected in the low percentage of outstanding balances in the billing software.

The Center will record the Accounts Receivable for a fiscal year net of contractual allowances using an estimate established by management. A journal entry was made in February 2017 for the actual contractual allowance for activity occurring after the end of FY2016. We believe this to be a timing issue.

The Center did recognize the need for bad debt expense and had charged bad debt during the fiscal year. The Center also established a bad debt expense line item in the FY2017 budget. However, an allowance for bad debt and associated entries will be made in the future.

The recommendations of the Auditor to record monthly entries for patient service revenue, contractual adjustments, and debts, and accounts receivables based on reports generated from the billing software is currently being posted every month and has been posted monthly since November 2015. This was a tremendous improvement upon prior years

Payments on patient accounts are posted to the patient accounts in the billing system net of contractual currently. As stated above the Center will record Accounts Receivable in the accounting software net of contractual allowance using an estimate established by management.