



**LOGAN-MINGO AREA
MENTAL HEALTH, INC.**

Audited Financial Statements

June 30, 2020 and 2019

LOGAN-MINGO AREA MENTAL HEALTH

Audited Financial Statements
June 30, 2020 and 2019

TABLE OF CONTENTS

	Pages
Independent Auditor's Report	1 – 2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statement of Functional Expenses	5 – 6
Statements of Cash Flows	7
Notes to Financial Statements	8 – 16
Supplementary Information:	
Schedule of BHHF Funded Fixed Assets	17 – 18
Schedule of BHHF Funding Status/State Awards	19
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 <i>Government Auditing Standards</i>	20 – 21
Schedule of Findings and Responses	22 – 23



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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Logan-Mingo Area Mental Health, Inc. (the Center), which comprise the statements financial position as of June 30, 2020 and 2019, and the related statements of activities and cash flows for the years then ended, functional expenses 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 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 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 the Center as of June 30, 2020 and 2019, and the changes in its net assets, functional expenses, and its cash flows for the years 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2021 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
July 29, 2021

Logan-Mingo Area Mental Health, Inc.

STATEMENTS OF FINANCIAL POSITION

June 30, 2020 and 2019

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
Current assets:		
Cash and cash equivalents	\$ 355,388	\$ 342,893
Accounts receivable, net	718,012	753,637
Grants receivable	237,975	584,546
Certificates of deposit	189,260	362,437
Prepays and other	-	14,636
Total current assets	<u>1,500,635</u>	<u>2,058,149</u>
Certificates of deposit	365,722	187,201
Property and equipment, less accumulated depreciation	731,473	810,378
Total assets	<u>\$ 2,597,830</u>	<u>\$ 3,055,728</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
Current liabilities:		
Accounts payable	\$ 55,245	\$ 32,447
Accrued and withheld liabilities	294,233	285,453
Tax payable	25,018	-
Vendor financing	-	-
Obligation under capital lease	11,368	-
Total current liabilities	<u>394,998</u>	<u>331,830</u>
Noncurrent portion of capital lease	9,178	-
Noncurrent portion of tax payable	55,905	-
Total liabilities	<u>460,081</u>	<u>331,830</u>
Net assets without donor restrictions	<u>2,137,749</u>	<u>2,723,898</u>
Total liabilities and net assets	<u>\$ 2,597,830</u>	<u>\$ 3,055,728</u>

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

Logan-Mingo Area Mental Health, Inc.

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2020 and 2019

	2020	2019
Operating revenues:		
Client service revenue	\$ 6,030,924	\$ 6,084,254
State and federal grant	791,038	1,411,625
Local and county grant	12,657	12,657
Other operating income	178,065	312,670
Total revenues	<u>7,012,684</u>	<u>7,821,206</u>
Expenses and losses:		
Salaries and wages	4,933,235	5,210,767
Employee benefits and taxes	917,098	914,093
Contracted services	128,226	154,757
Facility	154,763	145,227
Repairs and maintenance	191,575	137,550
Rent	231,609	168,891
Travel	115,994	151,849
Food and drug	133,237	143,482
Office supplies	186,745	131,767
Telephone	71,773	64,426
Printing and postage	48,617	39,560
Professional fees	53,158	38,083
Subscriptions and books	19,473	18,091
Insurance	91,769	73,813
Accounting	113,534	123,979
Software	28,883	23,815
Interest expense	17,127	857
Depreciation	111,307	144,093
Taxes	64,088	-
Miscellaneous	5,045	1,368
Total expenses	<u>7,617,256</u>	<u>7,686,468</u>
Excess of revenues over expenses	<u>(604,572)</u>	<u>134,738</u>
Nonoperating revenues:		
Gain (loss) on disposal of fixed assets	12,750	(33,283)
Interest	5,673	4,537
Change in net assets	<u>(586,149)</u>	<u>105,992</u>
Net assets without donor restrictions, beginning of year	<u>2,723,898</u>	<u>2,617,906</u>
Net assets without donor restrictions, end of year	<u>\$ 2,137,749</u>	<u>\$ 2,723,898</u>

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

Logan-Mingo Area Mental Health, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2020

	Program Services	Management and General	Total
Expenses:			
Salaries and wages	\$ 4,021,706	\$ 911,529	\$ 4,933,235
Employee benefits and taxes	740,700	176,398	917,098
Contracted services	26,902	101,324	128,226
Facility	144,373	10,390	154,763
Repairs and maintenance	162,866	28,709	191,575
Rent	211,906	19,703	231,609
Travel	95,412	20,582	115,994
Food and drug	127,811	5,426	133,237
Office supplies	148,025	38,720	186,745
Telephone	45,478	26,295	71,773
Printing and postage	20,776	27,841	48,617
Professional fees	14,989	38,169	53,158
Subscriptions and books	2,000	17,473	19,473
Insurance	27,531	64,238	91,769
Accounting	41,156	72,378	113,534
Software	4,550	24,333	28,883
Interest expense	-	17,127	17,127
Depreciation	95,082	16,225	111,307
Taxes	-	64,088	64,088
Miscellaneous	2,609	2,436	5,045
	<u>\$ 5,933,872</u>	<u>\$ 1,683,384</u>	<u>\$ 7,617,256</u>
Total expenses	<u>\$ 5,933,872</u>	<u>\$ 1,683,384</u>	<u>\$ 7,617,256</u>

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

Logan-Mingo Area Mental Health, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2019

	Program Services	Management and General	Total
Expenses:			
Salaries and wages	\$ 4,285,327	\$ 925,440	\$ 5,210,767
Employee benefits and taxes	726,371	187,722	914,093
Contracted services	59,191	95,566	154,757
Facility	127,611	17,616	145,227
Repairs and maintenance	117,983	19,567	137,550
Rent	165,479	3,412	168,891
Travel	131,950	19,899	151,849
Food and drug	138,324	5,158	143,482
Office supplies	104,431	27,336	131,767
Telephone	33,335	31,091	64,426
Printing and postage	16,414	23,146	39,560
Professional fees	15,949	22,134	38,083
Subscriptions and books	-	18,091	18,091
Insurance	20,886	52,927	73,813
Accounting	33,958	90,021	123,979
Software	5,248	18,567	23,815
Interest expense	-	857	857
Depreciation	118,156	25,937	144,093
Miscellaneous	182	1,186	1,368
	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 6,100,795</u>	<u>\$ 1,585,673</u>	<u>\$ 7,686,468</u>

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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ (586,149)	\$ 105,992
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	111,307	144,093
(Gain) loss on disposal of assets	(12,750)	33,283
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	35,625	(92,355)
Grants receivable	346,571	(155,928)
Prepays and other	14,636	1,603
Increase (decrease) in:		
Accounts payable	22,798	(45,134)
Accrued and withheld liabilities	8,780	13,664
Accrued annual leave	(4,796)	(50,885)
Tax payable	80,923	-
Net cash provided by (used in) operating activities	<u>16,945</u>	<u>(45,667)</u>
Cash flows from investing activities:		
Purchases of property and equipment	-	(20,821)
Disposal of property and equipment	12,750	-
Purchases of certificates of deposit	(5,344)	(4,253)
Net cash provided by (used in) investing activities	<u>7,406</u>	<u>(25,074)</u>
Cash flows from financing activities:		
Principal payments on capital lease obligations	(11,856)	-
Principal payments on vendor financing	-	(99,585)
Net cash used in financing activities	<u>(11,856)</u>	<u>(99,585)</u>
Net increase (decrease) in cash and cash equivalents	12,495	(170,326)
Cash and cash equivalents, beginning of year	342,893	513,219
Cash and cash equivalents, end of year	<u>\$ 355,388</u>	<u>\$ 342,893</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Capital lease termination	<u>\$ -</u>	<u>\$ 70,931</u>
Purchase of equipment through capital lease	<u>\$ 32,402</u>	<u>\$ -</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash used for interest payments	<u>\$ 292</u>	<u>\$ 857</u>

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

Logan-Mingo Area Mental Health, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

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 collectively strengthen the behavioral healthcare system by providing a continuum of services to youth and adults that is responsive, accessible, high-quality and community based.

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.

Revenue Recognition

Revenue from Exchange Transactions

The Center recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The Center records the following exchange transaction revenue in its statements of activities and changes in net assets for the years ending June 30, 2020 and 2019:

Client Service Revenue

Client service revenue is reported at the amount that reflects the consideration to which the Center expects to be entitled to in exchange for providing client services. The Client performs services at varying different levels of care at specified encounter rates. The performance obligation is the daily delivery of care to the client. The transaction price is based on standard charges for care provided, reduced by contractually stated adjustments provided to third-party payers, discounts provided to uninsured patients and/or implicit price concessions provided to uninsured patients. The Center determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. The Center determines its estimate of implicit price concessions based on historical collection experience with this class of clients. As each level of service is priced at a specific encounter rate; no allocation of the transaction price is necessary. The Center recognizes revenue as services are provided.

Logan-Mingo Area Mental Health, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

Contributions and Grants

Contributions and non-exchange grant revenue are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Grant revenue resulting from exchange transactions is recognized when the related costs are incurred.

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 2017.

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.

Excess of Revenues over Expenses

The Statement of Activities includes excess of revenues over expenses and changes in net assets for the year ending June 30, 2020 and 2019. The excess 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 excess of revenue over expenses consistent with industry practice.

Functional Expenses

The statement of functional expenses assigns expenses directly where such costs can be identified. Expenses which are not directly identifiable have been allocated by the Center using statistical measures, principally square footage and salary and wages. The allocated expenses are consistent with the allocations used in preparation of the tax-exempt filings of the Center.

Logan-Mingo Area Mental Health, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

Recently Issued Accounting Standards

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, 2021. 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.

Change in Accounting Principle

On July 1, 2019, the Center changed its method of presentation and disclosure of patient care service revenue and provision for uncollected accounts in accordance with Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers. The major changes associated with ASU 2014-09 are to reclassify the provision for uncollectible accounts and combine it with patient care service revenue and to provide enhanced disclosures around the Center's policies related to Revenue from Contracts with Customers. The change had no effect on prior year change in net assets. The effect of the change on previously reported amounts is as follows:

	<u>As adjusted</u>	<u>As Previously Reported</u>	<u>Effect of Change</u>
Client services revenue, net of contractual allowances and discounts	\$ -	\$ 6,275,087	\$ (6,275,087)
Provision for bad debts	-	(190,833)	190,833
Net client services revenue	-	6,084,254	(6,084,254)
Client service revenue	\$6,084,254	\$ -	\$ 6,084,254

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.

Logan-Mingo Area Mental Health, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

3 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 355,388	\$ 342,893
Certificates of deposit - current	189,260	362,437
Accounts receivable, net	718,012	753,637
Grants receivable	<u>237,975</u>	<u>584,546</u>
	<u>\$ 1,500,635</u>	<u>\$ 2,043,513</u>

As part of the Center's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

4 – 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.

Logan-Mingo Area Mental Health, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

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, 2020 and 2019.

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, 2020 and 2019:

	2020			
	Level I	Level II	Level III	Total
<u>Investments measured</u>				
<u>at fair value:</u>				
Certificates of deposit	\$ -	\$ 554,982	\$ -	\$ 554,982
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	2019			
	Level I	Level II	Level III	Total
<u>Investments measured</u>				
<u>at fair value:</u>				
Certificates of deposit	\$ -	\$ 549,638	\$ -	\$ 549,638
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

5 – PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2020 and 2019, is as follows:

	2020	2019
Land	\$ 143,633	\$ 143,633
Buildings and improvements	2,406,126	2,406,126
Vehicles	477,073	501,071
Equipment	802,146	769,744
Software (not in service)	162,180	162,180
Furniture	87,696	87,696
Leasehold improvements	170,921	170,921
	<u>4,249,775</u>	<u>4,241,371</u>
Less accumulated depreciation	<u>(3,518,302)</u>	<u>(3,430,993)</u>
	<u>\$ 731,473</u>	<u>\$ 810,378</u>

Property and equipment include 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 \$1,915,785

Logan-Mingo Area Mental Health, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

and \$1,901,576 at June 30, 2020 and 2019, respectively. Land provided to the Center by the State amounted to \$143,633 as of June 30, 2020 and 2019.

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.

The cost of property and equipment purchased with Bureau of Behavioral Health and Health Facilities grant funds was \$869,364 and \$869,364, respectively, at June 30, 2020 and 2019, and related accumulated depreciation was \$403,446 and \$327,175, respectively, at June 30, 2020 and 2019.

6 –CLIENT SERVICE REVENUE

A summary of client service revenue for all payors for the years ended June 30, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Client service revenue, at gross charge	\$ 7,629,262	\$ 7,956,093
Less:		
Explicit price concessions	1,535,222	1,681,006
Implicit price concessions	<u>63,116</u>	<u>190,833</u>
	<u>\$ 6,030,924</u>	<u>\$ 6,084,254</u>

Client service revenue recognized during the years ended June 30, 2020 and 2019, from these major payor sources, is as follows:

	<u>2020</u>		
	<u>Third Party Payors</u>	<u>Self Pay</u>	<u>Total All Payors</u>
Client service revenue	<u>\$ 5,980,723</u>	<u>\$ 50,201</u>	<u>\$ 6,030,924</u>
	<u>2019</u>		
	<u>Third Party Payors</u>	<u>Self Pay</u>	<u>Total All Payors</u>
Client service revenue	<u>\$ 6,013,993</u>	<u>\$ 70,261</u>	<u>\$ 6,084,254</u>

Logan-Mingo Area Mental Health, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

7 – LOAN AGREEMENT

The Center had a loan agreement which is secured by certificates of deposit, bears interest at 4.35% and expired in June 2020 and has a maximum borrowing limit of \$180,000. As of June 30, 2020 and 2019, no amounts were outstanding under this agreement. See Footnote 14 for the subsequent to year-end renewal of this loan agreement.

8 – LEASES

Operating Leases

The Center leases various space and equipment under both short and long term operating leases. Monthly lease payments range from \$4,785 to \$6,393 and mature in 2023.

Future minimum payments related to long-term lease commitments are as follows for years ending June 30:

2021	\$ 134,149
2022	134,149
2023	35,108
	<u>\$ 303,406</u>

Capital Leases

The Center leases equipment under a long-term capital lease obligation, which expires in July 2022. The capital lease is payable in monthly installments of \$1,080 for 36 months, including an implicit rate of 8.10%. Equipment under capital lease include the following:

	<u>2020</u>	<u>2019</u>
Equipment	\$ 32,402	\$ -
Less: accumulated amortization	<u>(11,856)</u>	<u>-</u>
	<u>\$ 20,546</u>	<u>\$ -</u>

Logan-Mingo Area Mental Health, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

Future minimum lease payments under capital leases are as follows:

2021	\$ 12,956
2022	8,763
2023	<u>1,054</u>
Future minimum lease payments	22,773
Less: Amount representing interest	<u>(2,227)</u>
Capital lease obligation	<u><u>\$ 20,546</u></u>

9 – ECONOMIC DEPENDENCY AND GEOGRAPHIC CONCENTRATION

The Center is located in and services the citizens of Logan and Mingo Counties, West Virginia. General economic conditions in the area can influence the Center's reliance on private payors.

The Center's programs are dependent upon its state sponsoring agencies obtaining adequate appropriation and the existence of sufficient tax revenues to fund such appropriations. For the years ended June 30, 2020 and 2019, the Medicaid and Medicaid Waiver program accounted for 90% and 95% of the Center's net client revenue, respectively. Changes in payment rates or methodologies by the Medicaid program could significantly impact the Center's operations.

The Center also receives significant funding from the West Virginia Bureau for Behavioral Health and Health Facilities, some of which is pass-through funding from the United States Department of Health and Human Services. A significant reduction in the level of this support, if this were to occur, may have a significant impact on the Center's programs and activities.

10 – CONCENTRATIONS

Cash

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.

11 – HEALTH CARE LEGISLATION AND REGULATION

The health care industry is subject to numerous laws and regulations of Federal, state and local governments. Government activity has increased with respect to investigations and allegations concerning possible violations of various statutes and regulations by health care providers. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions

Logan-Mingo Area Mental Health, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

unknown or unasserted at this time. Management believes that the Center is in compliance with fraud and abuse as well as other applicable government laws and regulations. If the Center is found in violation of these laws, it could be subject to substantial monetary fines, civil and criminal penalties and exclusion from participation in the Medicare and Medicaid programs.

12 – RISK MANAGEMENT

The Center maintains claims-made coverage for professional liability. Incidents occurring through June 30, 2020 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.

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. As of June 30, 2020, certain claim exist where it is probable that the Center will be expected to pay an amount in excess of insurance coverage. As of June 30, 2020, the Center has accrued \$16,000 for such instances.

13 – STATE TAX PAYABLE

During the year ended June 30, 2020, the Center was subject to an audit by the State of West Virginia Tax Department, regarding sales and use tax for the period of January 1, 2017 through December 31, 2019. As a result of this audit, a liability was recorded in the amount of \$80,923 for state taxes owed. The total liability will be in installments of \$3,593, commencing on November 16, 2020 and ending on October 17, 2022. This payment plan bears interest at 9%.

14 – SUBSEQUENT EVENTS

Subsequent to year end, the Center renewed the loan agreement with an increased amount of \$390,000. This loan was effective on September 29, 2020, with an interest rate of 3.250%. This loan matures on July 22, 2022. Additionally, subsequent to year end the Center drew \$170, 000 on this agreement.

Effective October 2, 2020, the Center filed for and was granted a “doing business as” (dba) name change. The Center is now dba Mountain Laurel Integrated Healthcare.

SUPPLEMENTARY INFORMATION

LOGAN-MINGO AREA MENTAL HEALTH, INC.

SCHEDULE OF BHHF FUNDED FIXED ASSETS

June 30, 2020

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 auditor's report on accompanying financial information.

LOGAN-MINGO AREA MENTAL HEALTH, INC.

SCHEDULE OF BHHF FUNDED FIXED ASSETS

June 30, 2020

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
Van	08/10/16	40,175	Substance Abuse
Van	08/10/16	52,590	Substance Abuse
Conversion Van	06/30/17	59,954	Substance Abuse
Leashold Improvements	10/01/17	18,165	Substance Abuse
Equipment	10/01/17	80,720	Substance Abuse
Software	06/30/18	162,180	Substance Abuse
Office Furniture	06/21/19	9,796	Substance Abuse
Vulcan Range	06/28/19	12,524	Substance Abuse
		<u>\$ 869,364</u>	

See independent auditor's report on accompanying financial information.

LOGAN-MINGO AREA MENTAL HEALTH, INC.

SCHEDULE OF BHMF FUNDING STATUS/STATE AWARDS

Year Ended June 30, 2020

Grant series	State Account Number	Current Year Award Amount	Award Extended From Prior Year	Refundable Advances June 30, 2019	Amount Earned	Refundable Advances June 30, 2020	Amount Not Billed	Amount Collected
G200789	2020-0525-0506-2888-14901-3256-4230	\$ 60,000	\$ -	\$ -	\$ 24,752	\$ -	\$ 35,248	\$ -
G200077	2020-0525-0506-2851-21900-3256-4231-13144	611,592	-	-	583,990	-	27,602	544,317
G200094	2020-0525-0506-3043-21900-3256-4231	84,000	-	-	43,647	-	40,353	-
G200806	2020-8723-0506-3285-3885-13000	45,000	-	-	17,401	-	27,599	-
	2021-8723-0506-2886-3285-3885-13000	15,000	-	-	-	-	15,000	-
		60,000	-	-	17,401	-	42,599	-
G200933	2019-0525-0506-2884-21900-3256-4231	80,868	-	-	80,868	-	80,868	-
	2020-8793-0506-2884-13000-3285-3885-SAPT_F_SR-EY2019	82,392	-	-	31,632	-	82,392	-
	2021-8793-0506-2884-13000-3285-3885-SAPT_F_SR-EY2019	82,391	-	-	-	-	82,391	-
		245,651	-	-	112,500	-	245,651	-
		<u>\$ 1,061,243</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 782,290</u>	<u>\$ -</u>	<u>\$ 391,453</u>	<u>\$ 544,317</u>

See independent auditor's report on accompanying financial information.



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
 REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
 OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
 GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Logan-Mingo Area Mental Health, Inc. (the Center), which comprise the statement of financial position, as of June 30, 2020 and 2019, and the related statement 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 July 29, 2021.

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 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 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 2020-001 and 2020-002 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*.

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
July 29, 2021

Logan-Mingo Area Mental Health, Inc.

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended June 30, 2020

2020-001 Timely and Accurate Financial Reporting

Condition:

The Center failed to timely and accurately record all financial transactions for the year ended June 30, 2020.

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 numerous adjusting journal entries, which were not recorded until well after the Center's June 30, 2020 year end. These adjustments impacted assets, liabilities and increased the Center's net loss from approximately 350,000 to approximately \$586,000 as of June 30, 2020. 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 the financial statements in accordance with generally accepted accounting principles throughout the year.

Recommendation:

We recommend that the Center implement policies and procedures to ensure that all accounting transactions are captured and properly recorded accurately and timely.

Management's response:

The Center was severely impacted by COVID-19 in the spring of 2020, as was much of the world during shutdowns. Additionally, in order to continue minimal operations a major layoff and subsequent termination of staff occurred in June and July of 2020. The remaining staff assumed multiple duties from those staff terminated. All staff were working from home until the spring of 2021.

This mix of pandemic, and newly assigned duties did create an environment that led to a slow down in operations.

The Center has established procedures to record and review accounting transactions and ensure those transactions are captured and recorded timely. The Center will make every effort to create additional procedures to address future unexpected pandemics or major layoffs in order to ensure normal operating internal controls are followed. End of year closing procedures will also be reviewed with staff.

Logan-Mingo Area Mental Health, Inc.**SCHEDULE OF FINDINGS AND RESPONSES**

Year Ended June 30, 2020

2020-002 Patient Accounts Receivable and RevenueCondition:

The Center did not establish an adequate process to evaluate the estimated allowance for implicit price concessions. The estimate was not adjusted for actual results achieved in the subsequent period. Additionally, the Center was unable to produce a complete patient accounts receivable aging report to be reconciled to the general ledger

Criteria:

According to Generally Accepted Accounting Principles (GAAP), accounts receivable is to be recorded at net realizable value. The allowance for implicit/explicit price concessions should represent management's best estimate of the receivables that will not be collected. The allowance is a significant estimate that requires proper analysis and evaluation of past and current events as well as assumptions used. Typically, organizations will perform a retrospective review to determine if the methodology used in developing the estimate compares to the actual results achieved in a subsequent period.

Failure to have a sound methodology for establishing the estimated percentages of the allowance and sufficient documentation to support the data used in determining and analyzing the estimated allowance increases the likelihood of material misstatement of the financial statements.

Effect:

Patient accounts receivable and revenue were overstated by approximately \$323,000 for the year ended June 30, 2020.

Cause:

Sufficient controls were either not designed properly or were not operating effectively to ensure the estimate was compared to actual results in the subsequent period to assess accuracy

Recommendation:

We recommend the Center accumulate relevant, sufficient and reliable data for analysis and adjust its methodology for calculating the allowance for price concessions, as necessary. The Center should also perform a retrospective review of the estimate developed in the preceding year to determine if the estimate was reasonable based upon actual results in the subsequent period.

Management's response:

The Center will establish additional procedures to record and review accounts receivable estimates and ensure those transactions are captured and recorded timely. Management will put in place procedures for a regular review and adjustments, if necessary, of its methodology for calculating net realizable value of patient accounts receivable.