

Audited Financial Statements

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

Years Ended June 30, 2016 and 2015

Audited Financial Statements
VALLEY HEALTHCARE SYSTEM
Years Ended June 30, 2016 and 2015

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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, 2016 and 2015, 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

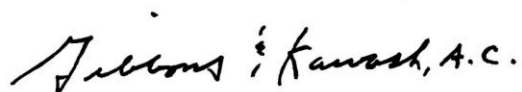
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Valley Comprehensive Community Mental Health Center, Inc. d/b/a Valley HealthCare System as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for 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) 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 January 18, 2017, 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
January 18, 2017

VALLEY HEALTHCARE SYSTEM
STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
Current assets:		
Cash and cash equivalents	\$ 2,340,947	\$ 2,743,902
Accounts receivable, less allowance for doubtful accounts of \$89,402 in 2016 and \$55,366 in 2015	1,543,867	1,539,625
Grants receivable	1,122,736	517,430
Prepaid and other assets	<u>530,594</u>	<u>216,284</u>
Total current assets	<u>5,538,144</u>	<u>5,017,241</u>
Property and equipment, less accumulated depreciation and amortization	1,826,150	1,900,882
Investments	<u>290,258</u>	<u>284,624</u>
Total assets	<u>\$ 7,654,552</u>	<u>\$ 7,202,747</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 587,452	\$ 573,716
Accrued annual leave and payroll	649,455	701,502
Current maturities of Medicaid liability	86,674	82,046
Current maturities of long-term debt	170,916	159,774
Deferred revenue	<u>14,657</u>	<u>9,757</u>
Total current liabilities	<u>1,509,154</u>	<u>1,526,795</u>
Postemployment benefit obligation	958,757	1,063,330
Long-term debt, less current maturities	263,911	434,827
Medicaid liability, less current maturities	<u>131,223</u>	<u>217,897</u>
Total liabilities	<u>2,863,045</u>	<u>3,242,849</u>
Unrestricted net assets	<u>4,791,507</u>	<u>3,959,898</u>
Total liabilities and net assets	<u>\$ 7,654,552</u>	<u>\$ 7,202,747</u>

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

VALLEY HEALTHCARE SYSTEM

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Changes in unrestricted net assets:		
Revenues:		
Net client revenues	\$ 12,686,010	\$ 13,926,567
State and federal grant revenues	5,019,979	4,733,795
Other grants and contracts	7,503	28,641
Residential facilities fees	275,080	257,226
Contributions	247,968	-
Other	<u>106,714</u>	<u>148,677</u>
	<u>18,343,254</u>	<u>19,094,906</u>
Expenses and losses:		
Salaries and wages	10,356,441	11,260,349
Employee benefits	2,493,446	2,457,129
Contract labor and professional fees	1,411,039	2,265,192
Repairs and maintenance	204,554	178,877
Supplies	412,095	303,264
Utilities	430,748	424,546
Staff development and travel	319,143	337,533
Insurance	244,748	204,804
Taxes	421,858	447,163
Depreciation and amortization	207,678	234,610
Bad debt	19,330	21,377
Other	576,410	478,176
Special project funding	101,097	144,382
Interest expense	46,078	58,125
Postemployment health	65,173	73,396
Equipment rental	98,568	120,000
Rent	<u>394,206</u>	<u>410,276</u>
	<u>17,802,612</u>	<u>19,419,199</u>
Operating income	540,642	(324,293)
Other income (expense):		
Gain (loss) on disposal of property	152,988	(104)
Other postemployment benefit related changes, exclusive of net periodic cost	<u>137,979</u>	<u>24,002</u>
Increase (decrease) in net assets	831,609	(300,395)
Net assets, beginning of year	<u>3,959,898</u>	<u>4,260,293</u>
Net assets, end of year	<u>\$ 4,791,507</u>	<u>\$ 3,959,898</u>

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

VALLEY HEALTHCARE SYSTEM

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 831,609	\$ (300,395)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	207,678	234,610
Contribution of property	(139,000)	-
(Gain) loss on disposal of property and equipment	(152,988)	104
Provision for bad debts	19,330	21,377
Net unrealized gain on investments	(5,634)	(42,784)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(23,572)	(206,375)
Grants receivable	(605,306)	408,151
Prepaid and other assets	(314,310)	(71,870)
Increase (decrease) in:		
Accounts payable and accrued expenses	13,736	(280,708)
Medicaid Waiver liability	(82,046)	(684,500)
Accrued annual leave and payroll	(52,047)	124,105
Postemployment benefit obligation	(104,573)	8,838
Deferred revenue	4,900	(1,885)
Net cash used in operating activities	<u>(402,223)</u>	<u>(791,332)</u>
Cash flows used in investing activities:		
Proceeds on disposal of property and equipment	300,000	-
Purchases of property and equipment	<u>(140,958)</u>	<u>(120,935)</u>
Net cash provided by (used in) investing activities	<u>159,042</u>	<u>(120,935)</u>
Cash flows used in financing activities:		
Principal payments on long-term debt	(159,774)	(113,806)
Principal payments on capital lease obligations	<u>-</u>	<u>(17,831)</u>
Net cash used in financing activities	<u>(159,774)</u>	<u>(131,637)</u>
Net decrease in cash	(402,955)	(1,043,904)
Cash, beginning of year	<u>2,743,902</u>	<u>3,787,806</u>
Cash, end of year	<u>\$ 2,340,947</u>	<u>\$ 2,743,902</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 \$111,526 and \$87,779 at June 30, 2016 and 2015, respectively.

Property and Equipment

Property and equipment are stated at cost. Major purchases and improvements of \$5,000 or more are capitalized, unless a different capitalization threshold is required for property and equipment acquired with grant funds. 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 and Receivables

The Corporation has agreements with third-party payors that provide for payments to the Corporation at amounts different from its established rates. Net client revenues are reported at the estimated realizable amounts from patients (clients), third-party payors, and others for services rendered, net of estimated contractual adjustments under reimbursement agreements with third party payors.

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.

VALLEY HEALTHCARE SYSTEM
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Net Client Revenues and Receivables (Continued)

Substantially all accounts receivable are from Medicare, Medicaid, or other third-party payors. Accounts receivable are presented on the statements of financial position net of estimated allowances for uncollectible accounts, including bad debts and contractual allowances. The allowance for doubtful accounts is based on management's experience and analysis of prior year collections. There were no significant changes in underlying assumptions for management's estimate of the allowance for doubtful accounts.

The Corporation's policy for writing-off bad debts includes a review of all amounts due from individual clients and third-party payors that have had no activity for 365 days to determine their collectability. All amounts deemed uncollectable are then written-off. The Corporation continues collection efforts on certain accounts to recover any of the amounts written-off as uncollectable. Interest is not charged on past due balances.

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).

Use of Estimates

Certain estimates and assumptions are required by management in the preparation of the financial statements in accordance with generally accepted accounting principles (GAAP). The significant estimates and assumptions that affect the reporting of amounts of assets and liabilities at the statement of financial position dates and revenues and expenses for the years then ended are those required in the determination of accumulated depreciation, the allowance for doubtful accounts, the fair value of investments, and postretirement benefits other than pensions. Actual results in the near-term could differ from the estimates used to prepare these financial statements.

Net Assets

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

Reclassification

Certain amounts in the 2015 financial statements have been reclassified to conform to the 2016 presentation.

Subsequent Events

The date to which events occurring after June 30, 2016, have been evaluated for possible adjustment to or disclosure in the financial statements is January 18, 2017, 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	
	2016	2015
Land and improvements	\$ 1,048,496	\$ 1,017,415
Buildings and improvements	3,509,672	3,509,672
Leasehold improvements	295,438	295,438
Furniture and equipment	2,820,162	2,731,557
Construction in progress	41,489	35,114
	7,715,257	7,589,196
Less accumulated depreciation and amortization	5,889,107	5,688,314
	\$ 1,826,150	\$ 1,900,882

Cost of property and equipment purchased with West Virginia Department of Health and Human Resources, Bureau for Behavioral Health and Health Facilities (BHBF) grant funds was \$3,340,187 and \$3,275,869 and related accumulated depreciation was \$3,069,787 and \$3,019,908 at June 30, 2016 and 2015, 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:

	2016	2015
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	\$ 9,582	\$ 18,202
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	141,448	237,729
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	134,193	165,100

VALLEY HEALTHCARE SYSTEM
NOTES TO FINANCIAL STATEMENTS
(Continued)

3 - DEBT (Continued)

	2016	2015
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	137,597	153,354
Note payable to bank, payable in monthly installments of \$814, including interest at 8.35%, final payment due July 2016, secured by vehicle	12,007	20,216
	434,827	594,601
Less current portion	170,916	159,774
	\$ 263,911	\$ 434,827

Maturities of the notes payable are as follows:

June 30	
2017	\$ 170,916
2018	97,438
2019	59,270
2020	46,218
2021	23,081
Thereafter	37,904
	\$ 434,827

At June 30, 2016 and 2015, the Corporation had \$600,000 available under a line of credit with Branch Banking and Trust with no outstanding balances. The line of credit bears interest at 4.75%, and is secured by the Corporation's Grafton office and all client accounts receivable with a total book value of \$1,484,028 and \$1,471,610 at June 30, 2016 and 2015, 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 15, 2017.

Cash paid for interest during the years ended June 30, 2016 and 2015, was \$46,078 and \$58,125, respectively.

4 - LEASES

The Corporation leases certain office equipment and facilities under operating lease agreements that expire in various years through July 2018. Rent expense on all operating leases was \$492,774 and \$530,276 for the years ended June 30, 2016 and 2015, respectively.

VALLEY HEALTHCARE SYSTEM
NOTES TO FINANCIAL STATEMENTS
(Continued)

4 - LEASES (Continued)

Future minimum lease payments under operating leases are as follows:

<u>June 30</u>	
2017	\$ 214,089
2018	69,167
2019	<u>48,011</u>
	<u>\$ 331,267</u>

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, 2016 and 2015 was \$217,897 and \$299,943, respectively.

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

<u>June 30</u>	
2017	\$ 96,495
2018	96,495
2019	<u>40,207</u>
Future minimum payments	233,197
Less: Amount representing imputed interest	<u>15,300</u>
Present value of future payments	<u>\$ 217,897</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, 2016 and 2015, were 13.5% 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, 2016 and 2015, were \$6,909 and \$7,031, respectively.

VALLEY HEALTHCARE SYSTEM
NOTES TO FINANCIAL STATEMENTS
(Continued)

6 - EMPLOYEE BENEFIT PLANS (Continued)

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 \$186,169 and \$149,672 for the years ended June 30, 2016 and 2015, respectively.

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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Benefit obligation at June 30	\$ (958,757)	\$ (1,063,330)
Fair value of plan assets at June 30	<u>-</u>	<u>-</u>
Funded status	<u>(958,757)</u>	<u>(1,063,330)</u>
Accrued benefit cost recognized in the accompanying statement of financial position	<u>\$ (958,757)</u>	<u>\$ (1,063,330)</u>
Weighted-average assumptions as of June 30		
Discount rate	3.38%	4.27%
Expected return on plan assets	7.00%	7.00%
Benefit cost	\$ 65,173	\$ 73,396
Employer contribution	33,739	39,600
Benefits paid	33,739	39,600

VALLEY HEALTHCARE SYSTEM
NOTES TO FINANCIAL STATEMENTS
(Continued)

6 - EMPLOYEE BENEFIT PLANS (Continued)

Postretirement Benefit Plans (Continued)

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 interest cost	\$ 4,623	\$ (8,438)
Effect on accumulated postretirement benefit obligation	138,778	(112,867)

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.

Revenue recognized from client services is as follows:

	<u>Year Ended June 30, 2016</u>		
	<u>Gross Client Revenue</u>	<u>Less: Contractual Adjustments</u>	<u>Net Client Revenue</u>
Medicaid	\$ 3,975,743	\$ 814,532	\$ 3,161,211
Medicaid waiver	8,642,940	462,260	8,180,680
Medicare	118,849	50,918	67,931
Private pay	460,819	2,204	458,615
Insurance	190,951	34,216	156,735
WV DHHR-BHMF Fee for service	732,532	134,345	598,187
Other	<u>73,143</u>	<u>10,492</u>	<u>62,651</u>
Total	<u>\$ 14,194,977</u>	<u>\$ 1,508,967</u>	<u>\$ 12,686,010</u>

VALLEY HEALTHCARE SYSTEM
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

	Year Ended June 30, 2015		
	Gross Client Revenue	Less: Contractual Adjustments	Net Client Revenue
Medicaid	\$ 3,700,179	\$ 576,525	\$ 3,123,654
Medicaid waiver	9,744,705	313,803	9,430,902
Medicare	134,582	55,461	79,121
Private pay	591,244	3,887	587,357
Insurance	234,597	18,126	216,471
WV DHHR-BHHF Fee for service	560,272	108,407	451,865
Other	54,449	17,252	37,197
Total	\$ 15,020,028	\$ 1,093,461	\$ 13,926,567

The Corporation also received state of West Virginia and federal grant funds passed through the State in the amount of \$5,019,979 and \$4,733,795 during the years ended June 30, 2016 and 2015, 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.

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 \$274,320 and \$268,565 at June 30, 2016 and 2015, respectively. The Corporation received distributions in the amount of \$75,378 and \$68,228, during 2016 and 2015, respectively.

VALLEY HEALTHCARE SYSTEM
NOTES TO FINANCIAL STATEMENTS
(Continued)

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). Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as:

- 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 that are unobservable inputs for the asset or liability.

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, 2016 and 2015.

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, 2016 and 2015, was as follows:

	Level 3	
	2016	2015
Equity interest in VATS	\$ 274,320	\$ 268,565

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

	2016	2015
Balance, beginning of year	\$ 268,565	\$ 225,944
Net unrealized gain	5,755	42,621
Balance, end of year	\$ 274,320	\$ 268,565

VALLEY HEALTHCARE SYSTEM
NOTES TO FINANCIAL STATEMENTS
(Continued)

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, 2016 and 2015, are as follows:

	<u>2016</u>	<u>2015</u>
Health care services	\$ 14,245,165	\$15,712,601
General and administrative	<u>3,557,447</u>	<u>3,706,598</u>
	<u>\$ 17,802,612</u>	<u>\$ 19,419,199</u>

12 - CONTINGENCIES

The Corporation is the defendant in a claim from an individual who seeks both compensatory and punitive damages from the Corporation. The outcome of this matter cannot be reasonably determined, however, management believes that payments, if any, related to the claim, would be settled within the limits of insurance coverage.

SUPPLEMENTARY INFORMATION

VALLEY HEALTHCARE SYSTEM
SCHEDULE OF EXPENDITURES OF STATE AWARDS

Year Ended June 30, 2016

State Grantor/Program Title	Grant Series #	State Grantor's Number	Program or Award Amount	Prior Year Extended	Refundable Advances June 30, 2015	Disbursements / Expenditures	Refundable Advances June 30, 2016
<u>West Virginia Department of Health and Human Resources</u>							
Children's Clinical Outreach Liaison	G160377	2015-0525-0506-2916-21900-3256-0000-13140	\$ 60,000	-	-	\$ 59,278	-
Substance Abuse	G160524	2016-0525-0506-2891-21900-3256-0000-13143	520,400	-	-	285,732	-
Colin Anderson Center Supplement for Community Placement	G160392	2015-0525-0506-2874-21900-3256-0000	87,600	-	-	87,600	-
Peer Coach - Substance Abuse, Marion Co	G160433	2013-0525-0506-2888-35400-3256-0000-13130	140,000	-	-	137,005	-
Peer Coach - Substance Abuse, Marion Co	G160433	2014-0525-0506-2888-35400-3256-0000-13130	35,000	-	-	-	-
		Total for Grant G160433	175,000	-	-	137,005	-
Group Home, Preston Co, Browns Mill Two	G160445	2015-0525-0506-3115-21900-3256-0000	412,625	-	-	412,625	-
Permanent Supported Housing (04 Slots) - Valley Catchment	G160445	2016-0525-0506-3743-21900-3256-0000	160,000	-	-	160,000	-
Day Programs/Day Support, Monongalia Co	G160445	2014-0525-0506-3744-21900-3256-0000	197,323	-	-	193,851	-
Group Home, Forensic, Preston Co, Browns Mill One, Pocahontas Co, Marlinton	G160445	2016-0525-0506-3115-33500-3256-0000	1,136,926	-	-	1,129,210	-
		Total for Grant G160445	1,906,874	-	-	1,895,686	-
Community Engagement Specialist	G160462	2016-0525-0506-3701-21900-3256-0000	384,832	-	-	384,832	-
Continuum Enhancement Funds for Expanded Children's Services	G160489	2014-0525-0506-2916-21900-3256-0000	137,124	-	-	28,816	-
Continuum Enhancement Funds, Monongalia Co Main Office	G160489	2015-0525-0506-2851-21900-3256-0000-13144	411,373	-	-	35,705	-
Continuum Enhancement Funds, Monongalia Co Main Office	G160489	2016-0525-0506-2851-21900-3256-0000-13144	1,546,239	-	-	1,546,239	-
		Total for Grant G160489	2,094,736	-	-	1,610,760	-
Out of Home Residential Services - Clinically Managed 24/7 Care - Substance Abuse	G150197	0525-2015-2890-21900-3206-3950-13121	-	104,821	-	100,108	-
Intensive Outpatient Services (Preston, Taylor, Marion, Monongalia)	G150557	0525-0000-2013-0506-2884-21900-3206-3949-13125	-	52,443	-	3,207	-
<u>Pass-through Federal Awards:</u>							
Adult Mental Health	G160496	2016-8794-0506-3744-13000-3285-0000-13116-CMHS_F_SR-EY2015	52,500	-	-	51,776	-
Adult Mental Health	G160496	2017-8794-0506-3744-13000-3285-0000-13116-CMHS_F_SR-EY2015	17,500	-	-	-	-
Adult Mental Health	G160496	2017-8794-0506-3744-13000-3285-0000-13116-CMHS_F_SR-EY2015	2,500	-	-	-	-
		Total for Grant G160496	72,500	-	-	51,776	-
Substance Abuse	G160524	2016-8793-0506-2891-13000-3285-0000-13142-SAPT_F_SR-EY2015	200,616	-	-	200,616	-
Substance Abuse	G160524	2017-8793-0506-2891-13000-3285-0000-13142-SAPT_F_SR-EY2015	66,872	-	-	20,537	-
		Total for Grant G160524	267,488	-	-	221,153	-
Intensive Outpatient Services (Preston, Taylor, Marion, Monongalia)	G150557	8793-0000-2015-0506-2884-13000-3285-0000-13125-SAPT	-	3,477	-	3,477	-
Intensive Outpatient Services (Preston, Taylor, Marion, Monongalia)	G150557	8793-0000-2016-0506-2884-13000-3285-0000-13125-SAPT	-	13,111	-	1,919	-
Intensive Outpatient Services (Preston, Taylor, Marion, Monongalia)	G150557	8794-0000-2015-0506-3041-13000-3285-0000-13113-CMHS	-	7,258	-	7,258	-
Intensive Outpatient Services (Preston, Taylor, Marion, Monongalia)	G150557	8794-0000-2016-0506-3041-13000-3285-0000-13113-CMHS	-	15,369	-	15,369	-
Intensive Outpatient Services (Preston, Taylor, Marion, Monongalia)	G150557	8793-0000-2015-0506-2891-13000-3285-0000-13133-SAPT	-	48,754	-	48,754	-
Intensive Outpatient Services (Preston, Taylor, Marion, Monongalia)	G150557	8793-0000-2016-0506-2891-13000-3285-0000-13133-SAPT	-	115,419	-	106,065	-
		Total for Grant G150557	-	203,388	-	182,842	-
Total Department of Health and Human Resources			\$ 5,569,430	\$ 360,652	\$ -	\$ 5,019,979	\$ -

See Independent Auditor's Report

VALLEY HEALTHCARE SYSTEM
SCHEDULE OF BHHF FUNDING STATUS
Year Ended June 30, 2016

Grant Series #	State Account Number	Award Amount	Award Extended From Prior Year	Refundable Advances July 1, 2015	Amount Earned and Billed	Refundable Advances June 30, 2016	Amount not Billed	Amount Collected in Current Year
G160377	2015-0525-0506-2916-21900-3256-0000-13140	\$ 60,000	\$ -	\$ -	\$ 59,278	\$ -	\$ 722	\$ 30,217
G160392	2015-0525-0506-2874-21900-3256-0000	87,600	-	-	87,600	-	-	73,020
G160433	2013-0525-0506-2888-35400-3256-0000-13130	140,000	-	-	137,005	-	2,995	88,414
G160433	2014-0525-0506-2888-35400-3256-0000-13130	35,000	-	-	-	-	35,000	-
	Total for Grant G160433	175,000	-	-	137,005	-	37,995	88,414
G160445	2014-0525-0506-3744-21900-3256-0000	197,323	-	-	193,851	-	3,472	166,215
G160445	2015-0525-0506-3115-21900-3256-0000	412,625	-	-	412,625	-	-	349,652
G160445	2016-0525-0506-3115-33500-3256-0000	1,136,926	-	-	1,129,210	-	7,716	892,025
G160445	2016-0525-0506-3743-21900-3256-0000	160,000	-	-	160,000	-	-	113,561
	Total for Grant G160445	1,906,874	-	-	1,895,686	-	11,188	1,521,453
G160462	2016-0525-0506-3701-21900-3256-0000	384,832	-	-	384,832	-	-	276,242
G160489	2014-0525-0506-2916-21900-3256-0000	137,124	-	-	28,816	-	108,308	-
G160489	2015-0525-0506-2851-21900-3256-0000-13144	411,373	-	-	35,705	-	375,668	-
G160489	2016-0525-0506-2851-21900-3256-0000-13144	1,546,239	-	-	1,546,239	-	-	1,222,252
	Total for Grant G160489	2,094,736	-	-	1,610,760	-	483,976	1,222,252
G160496	2016-8794-0506-3744-13000-3285-0000-13116-CMHS_F_SR-EY2015	52,500	-	-	51,776	-	724	42,428
G160496	2017-8794-0506-3744-13000-3285-0000-13116-CMHS_F_SR-EY2015	17,500	-	-	-	-	17,500	-
G160496	2017-8794-0506-3744-13000-3285-0000-13116-CMHS_F_SR-EY2015	2,500	-	-	-	-	2,500	-
	Total for Grant G160496	72,500	-	-	51,776	-	20,724	42,428
G160524	2016-0525-0506-2891-21900-3256-0000-13143	520,400	-	-	285,732	-	234,668	186,770
G160524	2016-8793-0506-2891-13000-3285-0000-13142-SAPT_F_SR-EY2015	200,616	-	-	200,616	-	-	170,290
G160524	2017-8793-0506-2891-13000-3285-0000-13142-SAPT_F_SR-EY2015	66,872	-	-	20,537	-	46,335	-
	Total for Grant G160524	787,888	-	-	506,885	-	281,003	357,060
G150197	0525-2015-2890-21900-3206-3950-13121	-	104,821	-	100,108	-	4,713	100,108
G150557	0525-0000-2013-0506-2884-21900-3206-3949-13125	-	52,443	-	3,207	-	49,236	3,207
G150557	8793-0000-2015-0506-2884-13000-3285-0000-13125-SAPT	-	3,477	-	3,477	-	-	3,477
G150557	8793-0000-2016-0506-2884-13000-3285-0000-13125-SAPT	-	13,111	-	1,919	-	11,192	1,919
G150557	8794-0000-2015-0506-3041-13000-3285-0000-13113-CMHS	-	7,258	-	7,258	-	-	7,258
G150557	8794-0000-2016-0506-3041-13000-3285-0000-13113-CMHS	-	15,369	-	15,369	-	300	15,369
G150557	8793-0000-2015-0506-2891-13000-3285-0000-13133-SAPT	-	48,754	-	48,754	-	-	48,754
G150557	8793-0000-2016-0506-2891-13000-3285-0000-13133-SAPT	-	115,419	-	106,065	-	9,354	106,065
	Total for Grant G150557	-	255,831	-	186,049	-	70,082	186,049
Total		\$ 5,569,430	\$ 360,652	\$ -	\$ 5,019,979	\$ -	\$ 910,403	\$ 3,897,243

Valley HealthCare System
BHFF Assets - Equipment and Automobiles
Cumulative Property Schedule - June 30, 2016

Description	Asset Type	ID	Date	Life	Amount	State Account Number
Typewriter - Smith Corona	Equipment	2492	1/1/1979	10	\$ 600	Unknown
Refridgerator- Whirlpool Mach I Series	Furniture	2281	7/1/1979	10	650	Unknown
Desk - Orange W/Typewriter Space	Furniture	2061	8/1/1979	10	543	Unknown
Desk - Yellow W/Typewriter Space	Furniture	2423	8/1/1979	10	543	Unknown
Desk - Gold W/Woodgrain Top	Furniture	1909	8/1/1979	10	543	Unknown
Desk - Woodgrain Top/Tan W/5 drawers	Furniture	2644	8/1/1979	10	543	Unknown
Filing Cabinet Unit - Med Records	Furniture	2623	9/1/1979	10	3,489	Unknown
Workstation - L-Shaped Exec. W/5 drawers	Furniture	2488	2/1/1980	10	1,473	Unknown
Couch - Maroon	Furniture	2244	3/1/1980	10	565	Unknown
Couch - Mauve Tweed	Furniture	1500	3/1/1980	10	565	Unknown
Couch - Brown	Furniture	379	3/1/1980	10	565	Unknown
Couch - Red Fabric W/Cushion	Furniture	1956	3/1/1980	10	711	Unknown
Couch - Blue/Black Tweed Fabric	Furniture	2332	3/1/1980	10	565	Unknown
Couch - Blue/Brn Tweed Chrome	Furniture	2444	3/1/1980	10	565	Unknown
Couch - Blue Plaid	Furniture	2507	3/1/1980	10	565	Unknown
Couch - Orange/Blue Striped	Furniture	2523	3/1/1980	10	565	Unknown
Seating Set - Peach Printed Vinyl W/Table	Furniture	2578	3/1/1980	10	950	Unknown
Seating Set - Peach Printed Vinyl W/Table	Furniture	2579	3/1/1980	10	950	Unknown
Seating Set - Peach Printed Vinyl W/Table	Furniture	2580	3/1/1980	10	950	Unknown
Seating Set - Peach Printed Vinyl W/Table	Furniture	2581	3/1/1980	10	950	Unknown
Seating Set - Peach Printed Vinyl W/Table	Furniture	2582	3/1/1980	10	950	Unknown
Seating Set - Peach Printed Vinyl W/Table	Furniture	2586	3/1/1980	10	950	Unknown
Credenza - Wooden W/Shelves	Furniture	2258	7/1/1980	10	2,598	Unknown
Wheelchair Lift	Equipment	5000	9/1/1989	10	2,699	Unknown
Bath Buddy	Equipment	5000	1/14/1991	10	525	Unknown
Bath Buddy	Equipment	5000	1/14/1991	10	525	Unknown
Respironic - Resp 367100	Equipment	5000	1/14/1991	10	1,995	Unknown
Bed - Hospital W/Rails	Furniture	1609	1/17/1991	10	950	Unknown
Bed - Hospital W/Rails	Furniture	1616	1/17/1991	10	950	Unknown
Bed - Hospital W/Rails	Furniture	1617	1/17/1991	10	950	Unknown
Bed - Hospital W/Rails	Furniture	1622	1/17/1991	10	950	Unknown
Bed - Hospital W/Rails	Furniture	1623	1/17/1991	10	950	Unknown
Wheelchair	Equipment	5000	2/26/1991	10	2,210	Unknown
Wheelchair	Equipment	5000	2/26/1991	10	4,643	Unknown
Wheelchair	Equipment	5000	2/26/1991	10	4,675	Unknown
Respironic - Rem Star	Equipment	5000	7/16/1991	10	1,496	Unknown
Love Seat - Brn & Beige Tweed	Furniture	1924	9/9/1991	10	658	Unknown
Computer - Mitsuba PC - 386 DX 33	Computer	2014	10/1/1991	5	1,677	Unknown
Monitor - Mitsuba 14"	Computer	2651	10/1/1991	5	543	Unknown
Loveseat - Check Fabric W/Wood base	Furniture	1083	11/7/1991	10	891	Unknown
Quantex 386 SX/33	Computer	2427	5/15/1992	5	919	Unknown
Tatung 14" Monitor	Computer	130	8/12/1992	5	291	Unknown
Tatung 14" Monitor	Computer	2063	8/12/1992	5	291	Unknown
Panasonic KX-P1124	Computer	2854	8/25/1992	5	671	Unknown
Workstation - Thompson's 30x72	Furniture	2025	5/25/1995	10	675	Unknown
Workstation - Thompson's 30x72	Furniture	2032	5/25/1995	10	675	Unknown
Monitor Crystalscan 14"	Computer	1038	7/28/1995	5	265	8793-1996-2892-096-252-00586
Monitor Crystalscan 14"	Computer	5000	7/28/1995	5	265	8793-1996-2892-096-252-00586
PC-Gateway GA 4DX2-66 & moneywork 3.0	Computer	849	8/4/1995	5	1,284	8793-1996-2892-096-252-00586
TV/VCR combo - RCA 20"	Furniture	1084	10/4/1995	10	569	Unknown
Computer Desk - Champion 24x60	Furniture	1994	1/25/1996	10	510	Unknown
Filing Cabinet - Vertical File	Furniture	1996	1/25/1996	10	625	Unknown
Computer Desk - Champion 24x60	Furniture	1997	1/25/1996	10	510	Unknown
Filing Cabinet - Vertical File	Furniture	1998	1/25/1996	10	625	Unknown
Computer Desk - Champion 24x60	Furniture	1999	1/25/1996	10	510	Unknown
Credenza - Woodgrain Top	Furniture	1057	1/25/1996	10	600	Unknown
Credenza - Woodgrain Top	Furniture	1065	1/25/1996	10	500	Unknown
Credenza - Woodgrain Top	Furniture	1092	1/25/1996	10	500	Unknown
Computer Desk - Champion 24x60	Furniture	2001	1/25/1996	10	510	Unknown
Speakers - LAB LCS-1014	Computer	901	12/31/1997	5	27	8793-1998-2885-096-252-02060
Rembrandt PC - Pentium 166	Computer	902	12/31/1997	5	1,347	8793-1998-2885-096-252-02060
Speakers - LAB LCS-1014	Computer	1331	12/31/1997	5	27	Unknown
HP Laserjet 6PXi Laser	Computer	5000	1/30/1998	5	763	Unknown
Electric Bed - Proserv Medical	Equipment	5000	3/17/1998	10	945	Unknown
Electric Bed - Proserv Medical	Equipment	5000	3/17/1998	10	945	Unknown
Electric Bed - Proserv Medical	Equipment	5000	3/17/1998	10	630	Unknown
Monitor EV 500 13.9	Computer	2073	3/30/1998	5	218	5192-1998-2874-099-252
Gateway - 2300 Deluxe Pentium PC	Computer	2074	4/2/1998	5	2,723	5192-1998-2874-099-252
HoyerLift - Sunmed HPL 400	Equipment	2919	4/5/1998	10	1,824	5192-1998-2874-099-252
HoyerLift - Sunmed HPL 400	Equipment	2970	4/5/1998	10	1,853	5192-1998-2874-099-252
Lift Chair	Equipment	5000	9/8/1998	10	625	Unknown
Ropes Course - ACT Unit - Fairmont	Equipment	5000	4/8/1999	10	23,795	8793-1999-2892-096-252-03087
Outbuilding for Adolescent (CrossRoads)-51	Equipment	5000	7/15/1999	10	2,373	8793-1999-2892-096-252-03087
Additional Mulch for Ropes Course-51	Equipment	5000	9/10/1999	10	865	Unknown

(Continued)

Valley HealthCare System
 BHHF Assets - Equipment and Automobiles - Continued
 Cumulative Property Schedule - June 30, 2016

Description	Asset Type	ID	Date	Life	Amount	State Account Number
Gateway Essential 433C PC	Computer	3448	5/2/2000	5	1,155	8793-2000-2892-096-128-04135
Solo 2150CL- Laptop	Computer	3451	5/2/2000	5	2,968	8793-2000-2892-096-128-04135
Gateway Essential 433C PC	Computer	3453	5/2/2000	5	1,155	8793-2000-2892-096-128-04135
Gateway Essential 433C PC	Computer	3459	5/2/2000	5	1,155	8793-2000-2892-096-128-04135
Gateway Essential 433C PC	Computer	3465	5/2/2000	5	1,155	8793-2000-2892-096-128-04135
Gateway GCS-200 Speakers	Computer	5000	5/2/2000	5	53	8793-2000-2892-096-128-04135
Gateway GCS-200 Speakers	Computer	5000	5/2/2000	5	53	8793-2000-2892-096-128-04135
Gateway GCS-200 Speakers	Computer	5000	5/2/2000	5	53	8793-2000-2892-096-128-04135
Gateway GCS-200 Speakers	Computer	5000	5/2/2000	5	53	8793-2000-2892-096-128-04135
Gateway GCS-200 Speakers	Computer	5000	5/2/2000	5	53	8793-2000-2892-096-128-04135
Gateway GCS-200 Speakers	Computer	5000	5/4/2000	5	37	8793-2000-2892-096-128-04135
Gateway Monitor - EV700 17" W 15.9 Viewable	Computer	5000	5/4/2000	5	302	8793-2000-2892-096-128-04135
Gateway Monitor - EV700 17" W 15.9 Viewable	Computer	5000	5/4/2000	5	302	8793-2000-2892-096-128-04135
Gateway Monitor - EV700 17" W 15.9 Viewable	Computer	5000	5/4/2000	5	302	8793-2000-2892-096-128-04135
Gateway Monitor - EV700 17" W 15.9 Viewable	Computer	5000	5/4/2000	5	302	8793-2000-2892-096-128-04135
Gateway Monitor - EV700 17" W 15.9 Viewable	Computer	5000	5/4/2000	5	302	8793-2000-2892-096-128-04135
Gateway Monitor - EV700 17" W 15.9 Viewable	Computer	5000	5/4/2000	5	302	8793-2000-2892-096-128-04135
Gateway Monitor EV 700 W/ 15.9 Viewable	Computer	5000	6/23/2000	5	293	8793-2000-2892-096-128-04135
Livingston Router	Computer	5000	9/10/2000	5	750	Unknown
Alcohol Sensors - Act Unit	Equipment	5000	7/10/2001	5	1,063	0525-2003-2874-803-252
Compaq Monitor - S7500 17"	Computer	4011	3/1/2003	5	193	0525-2003-2874-803-252
Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4032	3/1/2003	5	833	0525-2003-2890-219-252
Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4034	3/1/2003	5	833	0525-2003-2890-219-252
Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4037	3/1/2003	5	833	0525-2003-2890-219-252
Compaq Monitor - S7500 17"	Computer	4051	3/1/2003	5	193	0525-2003-2874-803-252
Compaq Monitor - S7500 17"	Computer	4052	3/1/2003	5	193	0525-2003-2874-803-252
Compaq Monitor - S7500 17"	Computer	4055	3/1/2003	5	193	0525-2003-2874-803-252
Compaq Monitor - S7500 17"	Computer	4058	3/1/2003	5	193	0525-2003-2874-803-252
Compaq Monitor - S7500 17"	Computer	4059	3/1/2003	5	193	0525-2003-2874-803-252
Compaq Monitor - S7500 17"	Computer	4060	3/1/2003	5	193	0525-2003-2874-803-252
Compaq Monitor - S7500 17"	Computer	4063	3/1/2003	5	193	0525-2003-2874-803-252
Compaq Monitor - S7500 17"	Computer	4065	3/1/2003	5	193	0525-2003-2874-803-252
Compaq Labtop - EVO N800V P4	Computer	4066	3/1/2003	5	1,663	8793-2003-2892-096-128-07887
Compaq Laptop - EVO N800V P4	Computer	4067	3/1/2003	5	1,663	8793-2003-2892-096-128-07887
Billiard Table and Accessories	Furniture	5000	4/10/2003	7	718	Unknown
CDW INFOCUS XGA Projector	Computer	5000	5/14/2003	5	3,137	8794-2003-2915-096-128-07888
CDW LapTop PC TOS 6100 - CRW XPP	Computer	5000	5/14/2003	5	1,604	8794-2003-2915-096-128-07888
CDW Laptop HP NC8000 CRW XPP - Compaq	Computer	4271	5/4/2004	5	1,815	8723-2004-2852-096-128-10550
LapTop PC - CDW HP CPQ NC8000 C9/1.5 40GB CRW XPP	Computer	5000	8/19/2004	7	1,913	0525-2005-2923-219-252/258
CDW - SB NC8000 1.6 40GB CRW XPP LAPTOP PC	Computer	4115	2/1/2005	5	1,982	8793-2005-2892-096-128-10596
HP SB NC8000 40GB CRW XPP - Lap Top	Computer	4301	2/7/2005	5	1,976	8723-2004-2852-096-128-10550
Monitor - CDW - Acer AL1912B - 19 inch	Computer	5000	6/6/2005	5	332	8723-2004-2852-096-128-10550
Monitor - CDW - Acer AL1912B - 19 inch	Computer	5000	6/6/2005	5	332	8723-2004-2852-096-128-10550
HP LapTop - CDW	Computer	5000	6/6/2005	5	1,709	8723-2004-2852-096-128-10550
PC - CDW - HP-DC5100 40GB -XPP-w/Kingston memory Upgrade	Computer	5000	6/6/2005	5	948	8723-2004-2852-096-128-10550
Computer-EMR GRANT	Computer		3/12/2008	5	1,674	Unknown
Scanners-EMR GRANT	Computer		3/12/2008	5	5,640	Unknown
Signature Pads-EMR GRANT	Computer		3/28/2008	5	3,488	Unknown
Monitor - Planar 1700 - 17in LCD - CDW	Computer	5000	3/6/2007	5	191	Unknown
PC - HP DC7600C - 80 GB w/MS PRO Plus 2007 - CDW	Computer	5000	3/6/2007	5	1,132	Unknown
DVD Burner	Furniture		2/12/2008	5	1,813	Unknown
Monitor-Viewsonic VC2030WM 20" Wide - CDW	Computer	5219	7/9/2008	5	316	8794-2009-2914-096-128-15581
Monitor-Viewsonic VC2030WM 20" Wide - CDW	Computer	5220	7/9/2008	5	316	8794-2009-2914-096-128-15581
Projector - Hitachi CPX5 XGA	Computer	5266	7/20/2009	5	1,019	8753-2010-0506-096-128
Computer	Computer		3/12/2008	5	1,237	Unknown
Laptop PC HP NX 9420	Computer	4389	9/11/2006	5	2,163	8793-2007-2892-096-128-12988
Lenovo TS X200T SL9400 Laptop	Computer	5279	8/18/2009	5	2,033	8723-2009-0506-096-128
Lenovo TS X200T SL9400 Laptop	Computer	5268	8/18/2009	5	2,033	8723-2009-0506-096-128
Lenovo TS X200T SL9400 Laptop	Computer	5269	8/18/2009	5	2,033	8723-2009-0506-096-128
Lenovo TS X200T SL9400 Laptop	Computer	5272	8/18/2009	5	2,033	8723-2009-0506-096-128
Lenovo TS X200T SL9400 Laptop	Computer	5280	8/18/2009	5	2,033	8723-2009-0506-096-128
Lenovo TS X200T SL9400 Laptop	Computer	5281	8/18/2009	5	2,033	8723-2009-0506-096-128
PC-HP SB 67108 17100 80 GB w/DVR - CDW	Computer		12/1/2007	5	1,764	Unknown
Monitor-Planar PL1900 19"-CDW	Computer		10/1/2007	5	287	Unknown
PC- SB DC5700 CE4300-80 GB w/PRO Plius 2007-CDW	Computer		10/1/2007	5	1,416	Unknown
Refrigerator/Freezer	Furniture		11/7/2007	5	667	Unknown
Dishwasher	Furniture		5/2/2008	5	667	Unknown
Wii System	Computer		6/16/2008	5	711	Unknown
Dining Set	Furniture		7/1/2008	5	530	0525-2009-3703-335-252
Dining Set	Furniture		7/1/2008	5	530	0525-2009-3703-335-252
2008 Ford Van	Vehicle	804	9/23/2008	7	28,698	0525-2009-3703-335-252
PC - HP DC7600 W/Planar 17in PL 1700 Monitor	Computer	4407	9/12/2006	5	1,694	0525-2007-3701-219-252/258
Planar 17in PL 1700 Monitor	Computer	4416	9/12/2006	5	214	0525-2007-3701-219-252/258

(Continued)

Valley HealthCare System
 BHFF Assets - Equipment and Automobiles - Continued
 Cumulative Property Schedule - June 30, 2016

Description	Asset Type	ID	Date	Life	Amount	State Account Number
Planar 17in PL 1700 Monitor	Computer	4402	9/12/2006	5	214	0525-2007-3701-219-252/258
PC - HP DC7600 W/Planar 17in PL 1700 Monitor	Computer	4405	9/12/2006	5	1,694	0525-2007-3701-219-252/258
PC - HP DC7600 W/Planar 17in PL 1700 Monitor	Computer	4404	9/12/2006	5	1,694	0525-2007-3701-219-252/258
Planar 17in PL 1700 Monitor	Computer	4401	9/12/2006	5	214	0525-2007-3701-219-252/258
PC - HP DC7600 W/Planar 17in PL 1700 Monitor	Computer	4406	9/12/2006	5	1,694	0525-2007-3701-219-252/258
Phone System - Catalyst - 3560 2SFP Standard Image	Equipment	4525	10/20/2006	20	3,347	0525-2007-3701-219-252/258
Phone System - GE WFP LC Connector SX transceiver	Equipment	4525	10/20/2006	20	441	0525-2007-3702-219-252/258
Phone System - GE WFP LC Connector SX transceiver	Equipment	4525	10/20/2006	20	441	0525-2007-3702-219-252/258
Phone System - GE WFP LC Connector SX transceiver	Equipment	4525	10/20/2006	20	441	0525-2007-3702-219-252/258
Phone System - GE WFP LC Connector SX transceiver	Equipment	4525	10/20/2006	20	441	0525-2007-3701-219-252/258
Phone System - Handsets - for Cisco phone system	Equipment	5000	10/20/2006	20	4,998	0525-2007-3701-219-252/258
Phone System - Telecom installation	Equipment	5000	10/20/2006	20	820	0525-2007-3701-219-252/258
HON- Corner Desk - Champion	Furniture	4455	10/26/2006	10	783	0525-2007-3701-219-252/258
HON- Corner Desk - Champion	Furniture	4462	10/26/2006	10	783	0525-2007-3701-219-252/258
HON- Corner Desk - Champion	Furniture	4467	10/26/2006	10	783	0525-2007-3701-219-252/258
HON- Corner Desk - Champion	Furniture	4487	10/26/2006	10	783	0525-2007-3701-219-252/258
HON- Corner Desk - Champion	Furniture	4497	10/26/2006	10	783	0525-2007-3701-219-252/258
HON- Corner Desk - Champion	Furniture	4516	10/26/2006	10	684	0525-2007-3701-219-252/258
PC - HP DC7600 - 80 GB w/MS PRO Plus 2007 - CDW	Computer	4528	11/15/2006	5	1,667	0525-2008-3701-219-252/258
PC - HP DC7600 - 80 GB w/MS PRO Plus 2007 - CDW	Computer	4544	11/15/2006	5	1,667	0525-2008-3701-219-252/258
PC - HP DC7600 - 80 GB w/MS PRO Plus 2007 - CDW	Computer	4545	11/15/2006	5	1,667	0525-2008-3701-219-252/258
Storage Building - Browns Mill	Equipment		9/29/2009	10	1,060	0525-2009-3703-335-252/258
Monitor - Viewsonic VA926 19"-CDW	Computer	5260	4/14/2009	5	205	0525-2009-3703-335-252
Monitor - Viewsonic VA926 19"-CDW	Computer	5261	4/14/2009	5	205	0525-2009-3703-335-252
PC HP DC5800 E7200 160GB w/ Office PRO Plus 2007 - CDW	Computer	5262	4/14/2009	5	888	0525-2009-3703-335-252
PC HP DC5800 E7200 160GB w/ Office PRO Plus 2007 - CDW	Computer	5263	4/14/2009	5	888	0525-2009-3703-335-252
Phone Equipment	Equipment		4/17/2009	5	5,726	0525-2009-3703-335-252
Xerox Phaser	Equipment		6/17/2009	5	2,224	0525-2009-3703-335-252
Generator - Browns Mill	Equipment		11/20/2009	10	27,369	0525-2009-3703-335-252/258
2009 Ford Econline Van	Vehicle	902	3/24/2009	7	29,242	0525-2009-3703-335-252
2005 Chevrolet V3500	Vehicle	501	2/22/2006	7	33,678	0525-2006-2874-803-252
2006 PT CRUISER	Vehicle	603	1/13/2009	7	7,805	0525-2009-2870-803-252
2005 Chevrolet V3500	Vehicle	0502	2/22/2006	7	20,580	0525-2006-2874-803-258
Shower Trolley - Accessible Environments Inc.	Equipment	5000	8/10/2006	5	3,608	0525-2007-2874-803-252/258
PC - HP DC7600C - 80 GB w/MS PRO Plus 2007 - CDW	Computer	4554	3/6/2007	5	1,132	Unknown
Monitor - Planar 1700 - 17in LCD - CDW	Computer	5000	3/6/2007	5	191	0525-2007-2874-803-252/258
New Transmission on 2009 Ford Econline Van	Vehicle	On 902	7/1/2010	7	1,325	0525-2011-3703-335-258
Ansul Range Hood	Equipment		8/24/2010	10	2,164	0525-2007-3115-219-252
2011 Ford - 12 Passenger Van	Vehicle	7888	8/15/2011	7	31,593	0525-2007-3115-219-252
2012 4x4 Passenger Van	Vehicle		5/1/2013	7	47,897	0525-2012-3115-219-252
Browns Mill II Generator w/ Sales Tax	Equipment		8/27/2012	10	25,986	0525-2012-3115-219-252
2016 Nissan Rogue	Vehicle		6/27/2016	7	28,816	2014-0525-0506-2916-21900-3256-13144
LapTop PC HB SB 650	Equipment	4806	10/1/2015	5	940	2013-0525-0506-2890-21900-3256-13121
Desktop HP SB 280	Equipment	4807	10/1/2015	5	799	2013-0525-0506-2890-21900-3256-13121
Desktop HP SB 280	Equipment	4808	10/1/2015	5	799	2013-0525-0506-2890-21900-3256-13121
Desktop HP SB 280	Equipment	4809	10/1/2015	5	799	2013-0525-0506-2890-21900-3256-13121
Desktop HP SB 280	Equipment	4810	10/1/2015	5	799	2013-0525-0506-2890-21900-3256-13121
ViewSonic VA2446M-LED Monitor	Equipment	4811	10/1/2015	5	169	2013-0525-0506-2890-21900-3256-13121
ViewSonic VA2446M-LED Monitor	Equipment	4812	10/1/2015	5	169	2013-0525-0506-2890-21900-3256-13121
ViewSonic VA2446M-LED Monitor	Equipment	4813	10/1/2015	5	169	2013-0525-0506-2890-21900-3256-13121
ViewSonic VA2446M-LED Monitor	Equipment	4814	10/1/2015	5	169	2013-0525-0506-2890-21900-3256-13121
Cisco Catalyst 2960-X Series Switch	Equipment	4815	10/1/2015	5	4,753	2013-0525-0506-2890-21900-3256-13121
Cisco Catalyst 2960-X Series Switch	Equipment	4816	10/1/2015	5	4,753	2013-0525-0506-2890-21900-3256-13121
Cisco 2911 Integrated Services Router	Equipment	4817	10/1/2015	5	3,726	2013-0525-0506-2890-21900-3256-13121
Cisco 2911 Integrated Services Router	Equipment	4818	10/1/2015	5	3,726	2013-0525-0506-2890-21900-3256-13121
Desktop HP SB 280	Equipment	4839	3/1/2016	3	796	2016-0525-0506-2891-21900-3256-13143
Desktop HP SB 280	Equipment	4840	3/2/2016	3	796	2016-0525-0506-2891-21900-3256-13143
Desktop HP SB 280	Equipment	4841	3/3/2016	3	796	2016-0525-0506-2891-21900-3256-13143
Desktop HP SB 280	Equipment	4842	3/4/2016	3	796	2016-0525-0506-2891-21900-3256-13143
Desktop HP SB 280	Equipment	4843	3/5/2016	3	796	2016-0525-0506-2891-21900-3256-13143
Desktop HP SB 280	Equipment	4844	3/6/2016	3	796	2016-0525-0506-2891-21900-3256-13143
Desktop HP SB 280	Equipment	4845	3/7/2016	3	796	2016-0525-0506-2891-21900-3256-13143
Desktop HP SB 280	Equipment	4846	3/8/2016	3	796	2016-0525-0506-2891-21900-3256-13143
ViewSonic VA2446M-LED Monitor	Equipment	4849	3/9/2016	3	145	2016-0525-0506-2891-21900-3256-13143
ViewSonic VA2446M-LED Monitor	Equipment	4852	3/10/2016	3	145	2016-0525-0506-2891-21900-3256-13143
ViewSonic VA2446M-LED Monitor	Equipment	4853	3/11/2016	3	145	2016-0525-0506-2891-21900-3256-13143
ViewSonic VA2446M-LED Monitor	Equipment	4847	3/12/2016	3	145	2016-0525-0506-2891-21900-3256-13143
ViewSonic VA2446M-LED Monitor	Equipment	4848	3/13/2016	3	145	2016-0525-0506-2891-21900-3256-13143
ViewSonic VA2446M-LED Monitor	Equipment	4850	3/14/2016	3	145	2016-0525-0506-2891-21900-3256-13143
ViewSonic VA2446M-LED Monitor	Equipment	4851	3/15/2016	3	145	2016-0525-0506-2891-21900-3256-13143
ViewSonic VA2446M-LED Monitor	Equipment	4854	3/16/2016	3	145	2016-0525-0506-2891-21900-3256-13143
Sharp 70" 1080P 120 HZ SMART CLASS LED HDTV	Equipment	4857	5/23/2016	5	1,642	2016-0525-0506-2891-21900-3256-13143
Sharp 70" 1080P 120 HZ SMART CLASS LED HDTV	Equipment	4858	5/23/2016	5	1,642	2016-0525-0506-2891-21900-3256-13143

Total BHFF Assets - Equipment and Automobiles

\$ 533,804

See Independent Auditor's Report.

Valley HealthCare System
 BHHF Assets - Leaseholds, Land, and Buildings
 Cumulative Property Schedule - June 30, 2016

Description	Asset Type	RU	Date	Amount	Life	State Account Number
Unknown Improvements	Building Imp	10	7/1/1992	\$ 6,060	10	Unknown
Tiling for Valley Main Office - Halls Classic Carpets	Building Imp	10	1/23/2004	33,749	10	0525-2004-3041-219-252
Sewer Upgrade at ACT Unit - T.Chickerell	Building Imp	52	8/3/2001	19,000	10	Unknown
Decking Addition - ACT Unit	Building Imp	52	8/31/2001	1,132	10	Unknown
Marion Day Treatment - Paul Rice	Building Imp	68	6/1/1991	8,292	10	Unknown
Drywall, Lumber, ect - RU 505 STRU - Lowe's*	Building Imp	505	8/12/2003	631	10	Unknown
Fire Door - B&B Glass*	Building Imp	505	8/12/2003	2,141	10	Unknown
Smoke Alarm/Security System - Secure US*	Building Imp	505	8/12/2003	1,140	10	Unknown
Carpeting - Hall's Carpeting*	Building Imp	505	8/12/2003	2,192	10	Unknown
Drywall, Lumber, ect - RU 505 STRU - Lowe's*	Building Imp	505	8/12/2003	1,773	10	Unknown
New Door for Crisis Unit plus remodeling of windows	Building Imp	505	8/12/2003	2,353	10	Unknown
Dumpster Pad	Building Imp	507	6/10/2008	5,500	10	0525-2008-3703-335-252
Generator	Building Imp	507	7/1/2008	21,300	10	0525-2008-3703-335-252
Deck and Double Doors	Building Imp	507	7/1/2008	7,000	10	0525-2008-3703-335-252
Building - Office	Building	10	7/1/1977	1,620,404	20	Unknown
Roof Replacemnt	Building	10	10/1/1989	175,802	10	Unknown
Eng. Fees - Roof	Building	10	10/1/1989	6,801	10	Unknown
Architect Services - Gustafson	Building	52	6/1/1994	9,216	10	Unknown
Roadway Work - Harman Const.	Building	52	10/31/1994	11,900	10	Unknown
Brewer & Co. - Sprinkler System	Building	52	12/20/1994	16,839	10	Unknown
Accordia - Builders Risk Insurance	Building	52	1/19/1995	900	10	Unknown
Emsweller - Fire Alarm System	Building	52	2/10/1995	3,817	10	Unknown
Water Line - Chickerell Excavating	Building	52	4/21/1995	5,382	10	Unknown
Construction Costs - Huffman	Building	52	5/3/1995	395,119	10	Unknown
Architect Services - Gustafson	Building	52	6/15/1995	24,533	10	Unknown
Brewer & Co. - Breaker Boxes	Building	52	7/1/1995	233	10	Unknown
Architect Services - Gustafson	Building	52	7/15/1995	694	10	Unknown
Emsweller - Manual Station	Building	52	8/14/1995	125	10	Unknown
Drapery Sales & Service	Building	52	8/17/1995	999	10	Unknown
Emsweller - Fire Alarm	Building	52	9/2/1995	1,909	10	Unknown
Brewer & Co. - Sprinkler System	Building	52	9/8/1995	1,115	10	Unknown
Decking Addition - Huffman	Building	52	9/29/1995	3,484	10	Unknown
Construction Costs - Huffman	Building	52	11/17/1995	6,965	10	Unknown
Adjustment - 1995	Building	52	12/31/1995	(1,080)	10	Unknown
Traffic Circle in Parking Lot - 301 Scott Ave	Land Imp	10	9/26/2003	11,364	10	0525-2004-3041-219-252
ACT Unit Sewage Line relocate	Land Imp	52	5/30/2006	19,825	10	5207-2006-2856-099-252 9745
Paving/Excavation	Land Imp	508	5/12/2008	13,712	10	Unknown
Concrete Dumpster Pad	Land Imp	52	7/17/2015	4,621	7	8793-0506-2891-13000-3285-000
Land - Office	Land	10	11/2/1981	60,500	N/A	Unknown
Land - ACT Unit	Land	52	12/31/1995	60,005	N/A	Unknown
Pixler Hill Building Improvements	Lease	508	2/1/1991	20,000	5	Unknown
Pixler Fire Improvements	Lease	508	6/1/1991	50,000	5	Unknown
Pixler Hill - Building	Lease	508	6/1/1991	50,000	10	Unknown
Stone Grading - Pixler	Lease	508	3/1/1992	2,500	5	Unknown
Plumbing & Fire Conversions	Lease	521	2/5/1998	20,016	20	5192-1998-2874-099-252
Office Conversion to Shower Room	Lease	521	2/18/1998	14,500	20	5192-1998-2874-099-252
Concrete Driveway - Sabraton	Lease	521	5/5/1998	950	10	Unknown
Plumbing & Fire Conversions	Lease	523	2/5/1998	6,759	20	5192-1998-2874-099-252
Wood Floor @ McCartney Ave	Lease	523	12/4/2000	3,867	5	Unknown
Plumbing & Fire Conversions	Lease	525	2/5/1998	14,754	20	5192-1998-2874-099-252
White Vinyl Fence in Front Yard	Lease	525	11/13/1998	3,300	10	Unknown
Plumbing & Fire Conversions	Lease	527	2/5/1998	4,574	20	5192-1998-2874-099-252
Rear Entrance Ramp @ Harlem St.	Lease	527	9/28/1998	3,300	20	Unknown
Carpet @ Harlem Street	Lease	527	11/14/2000	1,246	5	Unknown
Plumbing & Fire Conversions	Lease	529	2/5/1998	4,574	20	5192-1998-2874-099-252
Plumbing & Fire Conversions	Lease	531	2/5/1998	24,096	20	5192-1998-2874-099-252
Office Conversion to Shower Room	Lease	531	2/18/1998	14,500	20	5192-1998-2874-099-252
Total BHHF Assets - Leasehold, Land, and Buildings				\$ 2,806,383		

**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, 2016

ASSETS

CURRENT ASSETS:	
1. Cash	\$ 2,340,947
2. Short-term investments	-
3. Accounts receivable - BHHF	1,207,918
4. Accounts receivable - Client	66,024
5. Accounts receivable - Medicaid	644,037
6. Accounts receivable - Medicaid MR/DD Waiver	754,010
7. Accounts receivable - Other	492,984
7a. Allowance for doubtful accounts	(89,402)
8. Inventory	-
9. Prepaid/Other	<u>121,626</u>
10. TOTAL CURRENT ASSETS (total of lines 1-9)	<u>5,538,144</u>
NON-CURRENT ASSETS:	
FIXED ASSETS	
11. Property, land, and equipment - BHHF	3,340,187
12. Less accumulated depreciation	(3,069,787)
13. Property, land, and equipment - Other	4,375,070
14. Less accumulated depreciation	<u>(2,819,320)</u>
15. Total property, land, and equipment (NET)	<u>1,826,150</u>
OTHER NON-CURRENT ASSETS:	
16. Long-term investments	290,258
17. Other	<u>-</u>
18. TOTAL ASSETS (Total of lines 10, 15, 16, and 17)	<u><u>\$ 7,654,552</u></u>

LIABILITIES

CURRENT LIABILITIES:	
19. Accounts payable	\$ 352,072
20. Taxes payable	96,278
20a. Provider taxes payable	31,796
21. Line of credit - payable	-
22. Short-term notes payable	170,916
23. Accrued expenses	562,132
24. Other current liabilities	<u>295,960</u>
25. TOTAL CURRENT LIABILITIES (Total of lines 19-24)	<u>1,509,154</u>
LONG-TERM LIABILITIES	
26. Long-term notes payable	263,911
27. Other long-term liabilities	<u>1,089,980</u>
28. TOTAL LIABILITIES (Total of lines 25, 26, and 27)	<u>2,863,045</u>

NET ASSETS

29. Unrestricted net assets	4,791,507
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>\$ 7,654,552</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, 2016

REVENUE AND SUPPORT

1.	Charity Care	\$ -
1a.	Charity Care (BHFF target funds)	(58,678)
1b.	Charity Care (BHFF non-target funds)	(732,532)
1c.	Charity Care	-
1d.	Charity Care	-
1e.	Charity Care	-
1f.	Charity Care	-
1g.	Charity Care	(349,984)
1h.	Contractual write-off charity	-
1i.	Charity Care revenue	791,210
1j.	Supportive/Alternative Services Revenue	<u>349,984</u>
	Total (Should equal zero)	<u>-</u>
2.	Gross client service revenue	13,462,445
3.	Contractual adjustments (Target funds)	(58,678)
3a.	Contractual adjustments (Non-target funds)	<u>(1,313,155)</u>
5.	Net client service revenue	<u>12,090,612</u>
	Net client service revenue	
6.	Medicaid (Target funds)	-
6a.	Medicaid (Non-target funds)	3,179,666
7.	Medicaid MR/DD waiver (Non-target funds)	8,167,330
8.	ICF/MR (Non-target funds)	-
9.	Private pay (Non-target funds)	458,614
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>285,002</u>
11.	Total net client service revenue (Line 11 must agree with line 5)	<u>12,090,612</u>
12.	BHFF support	5,615,378
13.	Other/Public support	7,503
14.	Other	<u>629,761</u>
15.	TOTAL REVENUE AND SUPPORT (Total of lines 11-14)	<u>18,343,254</u>
	EXPENSES	
16.	Salaries	10,356,442
17.	Fringe benefits	2,395,096
18.	Contractual services	1,549,987
19.	Provider tax	399,244
19b.	Bad debt	19,330
	Bad debt (BHFF target funds)	-
19c.	Bad debt (BHFF non-target funds)	-
20.	Depreciation expense	207,678
21.	Other expenses	<u>2,874,835</u>
22.	TOTAL EXPENSES (Total of lines 16-21)	<u>17,802,612</u>
23.	NET INCOME (LOSS)	<u>\$ 540,642</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 Comprehensive Community Mental Health Center, Inc. d/b/a Valley HealthCare System (the Corporation), which comprise the statement of financial position as of June 30, 2016, and the related statements 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 January 18, 2017.

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 entity'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.

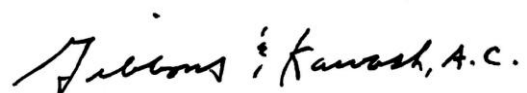
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charleston, West Virginia
January 18, 2017