

**WELLNESS COUNCIL OF WEST VIRGINIA, INC.
(A Not-For-Profit Corporation)**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

DHHR - Finance

SEP 28 2009

Date Received

WELLNESS COUNCIL OF WEST VIRGINIA, INC.

FINANCIAL STATEMENTS

Year Ended June 30, 2008

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Wellness Council of West Virginia, Inc.
Institute, WV

We have audited the accompanying statements of financial position of Wellness Council of West Virginia, Inc. (a non-profit organization) as of December 31, 2008, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Wellness Council of West Virginia, Inc.'s management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wellness Council of West Virginia, Inc. as of December 31, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2009 on our consideration of Wellness Council of West Virginia, Inc.'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Receipts and Expenditures of State Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Howan & Associates

Dunbar, WV
August 21, 2009

DHHR - Finance

SEP 28 2009

Date Received

Wellness Council of West Virginia
 Statements of Financial Position
 As of December 31, 2008

	2008
ASSETS	
CURRENT ASSETS	
Cash	\$ 214,721
Certificate of Deposit	66,865
Prepaid Expenses	<u>3,570</u>
Total Current Assets	<u>285,156</u>
 Fixed Assets	
Equipment	42,817
Accumulated Depreciation	<u>(9,830)</u>
Net Fixed Assets	<u>32,987</u>
 Total Assets	 <u>\$ 318,143</u>
 LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts Payable	\$ 21,313
Accrued Retirement	1,305
Accrued Payroll	2,391
Deferred Revenue	<u>6,370</u>
Total Current Liabilities	<u>31,379</u>
 UNRESTRICTED NET ASSETS	
Unrestricted	(49,239)
Temporarily Restricted	<u>336,003</u>
Total Net Assets	<u>286,764</u>
 Total Liabilities and Net Assets	 <u>\$ 318,143</u>

The accompanying notes are an integral part of these financial statements

Wellness Council of West Virginia
Statement of Activities
For the Year Ended December 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2008 Total</u>
SUPPORT AND REVENUE:			
Membership Fees	\$ 53,542	\$ -	\$ 53,542
Annual Wellness Conference	64,798	-	64,798
Tobacco Prevention Grant	-	269,173	269,173
RWJ Foundation Grant	-	98,847	98,847
RTPCC Grant	-	65,500	65,500
Other Program Fees	7,875	-	7,875
Other Grants	5,390	-	5,390
Commissions	619	-	619
Miscellaneous	1,638	-	1,638
Logan Healthcare Grant	-	-	-
Interest Income	2,466	-	2,466
Net Assets Released From Restrictions:			
Restrictions Satisfied By Program Spending	<u>370,307</u>	<u>(370,307)</u>	<u>-</u>
Total Increases in Net Assets	<u>506,635</u>	<u>63,213</u>	<u>569,848</u>
EXPENSES:			
Program Services	433,120	-	433,120
Supporting Services			
Management and General	118,537	-	118,537
Fund-raising	<u>1,058</u>	<u>-</u>	<u>1,058</u>
Total Decreases in Net Assets	<u>552,715</u>	<u>-</u>	<u>552,715</u>
Net Increase/(Decrease) in Net Assets	(46,080)	63,213	17,133
Net Assets, Beginning	<u>(3,159)</u>	<u>272,790</u>	<u>269,631</u>
Net Assets, Ending	<u>\$ (49,239)</u>	<u>\$ 336,003</u>	<u>\$ 286,764</u>

The accompanying notes are an integral part of these financial statements

**Wellness Council of West Virginia
Statement of Functional Expenses
For the Year Ended December 31, 2008**

	<u>Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2008 Total Expenses</u>
Salaries	\$ 168,050	\$ 31,399	\$ 949	\$ 200,398
Payroll Taxes & Fringe Benefits	38,903	3,610	109	\$ 42,622
Accounting & Audit	818	8,271	-	9,089
Advertising and Promotional Mate	19,842	14,195	-	34,037
Annual Wellness Conference	45,454	261	-	45,715
Bank Charges	-	1,720	-	1,720
Consultants	29,612	-	-	29,612
Depreciation Expense	-	8,027	-	8,027
Insurance	-	5,002	-	5,002
Materials and Supplies	16,342	5,713	-	22,055
Meetings	4,783	1,189	-	5,972
Miscellaneous	138	7,073	-	7,211
Office Supplies & Expense	449	9,455	-	9,904
Other Grant Expense	29,229	-	-	29,229
Postage	-	6,897	-	6,897
Sponsorships and Memberships	10,671	220	-	10,891
Subgrants	25,000	-	-	25,000
Subscriptions and Publications	-	6,002	-	6,002
Telephone & Communication	3,489	5,646	-	9,135
Travel	40,340	3,857	-	44,197
Total Expenses	<u>\$ 433,120</u>	<u>\$ 118,537</u>	<u>\$ 1,058</u>	<u>\$ 552,715</u>

The accompanying notes are an integral part of these financial statements

Wellness Council of West Virginia
 Statements of Cash Flows
 As of December 31, 2008

	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in Net Assets	\$ 17,133
Adjustments to Reconcile Increase in Net Assets:	
Depreciation Expense	8,027
Loss on Broken and Stolen Equipment	5,520
(Increase)/Decrease in:	
Prepaid Expenses	(3,570)
Increase/(Decrease) in:	
Accounts Payable	9,477
Accrued Expenses	(1,559)
Deferred Revenue	<u>3,305</u>
Net Cash Provided By Operating Activities	<u>38,333</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Equipment	(19,243)
Purchase of Certificate of Deposit	<u>(2,307)</u>
Net Cash (Used in) Investing Activities	<u>(21,550)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	16,783
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>197,938</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 214,721</u>

The accompanying notes are an integral part of these financial statements

Wellness Council of West Virginia
Notes to Financial Statements
December 31, 2008 and 2006

Note 1- NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities – The Wellness Council of West Virginia (the Council) was incorporated as a nonprofit organization in the state of West Virginia. The Council’s mission is to positively impact an organization’s ability to succeed by improving the health and well-being of its most vital asset, the employee. The Council strives to demonstrate that a healthy workforce is a productive workforce and that with healthier workers, absenteeism declines, health benefit costs are lowered, and worker satisfaction, recruitment and retention increases. Two of the Council’s programs are:

Worksite Wellness-

Is specially designed to introduce wellness to an employer’s organization. The Council will assess needs, design and implement effective interventions, and measure results. Experienced faculty uses an innovative instructional framework that includes independent study, problem-solving, classroom presentation, team activities and site visits to benchmark program success.

Worksite Wellness Tobacco Policy Project-

Funded through the Bureau for Public Health’s Tobacco Prevention Program, the Worksite Wellness Tobacco Policy Project helps develop, modify and update tobacco policies and supportive services, as well as introduce other worksite wellness concepts to employees. The project includes program guides and manuals, consultation services from professionals with training and experience in programs to restrict tobacco use, up-to-date educational resources, and “Quit Kits” for employees ready to take the first step in not smoking.

Accounting Policies-The Council follows the policy of recognizing governmental grant income paid in advance of service delivery as restricted revenue only when the Council actually receives the funding.

Cash and Cash Equivalents – For purposes of the statements of cash flows, the Organization considers only cash on hand and bank deposits available on demand to be cash equivalents.

Income Tax Status – The Council is exempt from federal income tax under Section 501 (c)(3) of the Internal Revenue Code. In addition, the Council qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

(Note 1- Continued)

Equipment – All acquisitions of equipment of more than \$500 and all expenditures for repairs, maintenance, and renewals that materially prolong the useful lives of assets are capitalized. All equipment is carried at cost. Depreciation is computed using the straight-line method over an estimated life of five to seven years.

Equipment at December 31, 2008 consists of:

Equipment	\$24,584
Computer Equipment	<u>18,233</u>
	42,817
Less Accumulated Depreciation	<u>(9,830)</u>
Fixed Assets, Net of Depreciation	<u>\$32,987</u>

Note 2- 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 could affect the reported amounts in the accompanying financial statements. Actual results could differ from those estimates.

Note 3- CONCENTRATIONS OF RISK

Revenues – The Council receives just under 60% of its revenues from the West Virginia Department of Health and Human Resources. Future ability to fund programs could be adversely affected if this funding were discontinued.

Note 4- RESTRICTED FUNDS

The Council treats all funds received from grants that have performance requirements as temporarily restricted. Only after the funds have been used in accordance with the provisions of the specific grant are balances transferred to unrestricted. The following amounts represent the unused portion of the indicated grant:

WVDHHR- Tobacco Prevention Grant	\$ 230,481
WVDHHR- Regional Tobacco Prevention Coalition Coordinator	16,479
Logan Health Care Foundation, Inc.	84,983
Robert Wood Johnson Foundation	<u>4,060</u>
Total Temporally Restricted Funds	<u>\$ 336,003</u>

Wellness Council of West Virginia
Notes to Financial Statements
December 31, 2008

Note 5- CORRECTION OF PRIOR PERIOD

In prior years the Council did not fully account for its unspent funds by grant as is required. Consequently, the previously reported temporally restricted net assets were understated by \$100,968. Such understatement of the December 31, 2007 temporally restricted net assets was corrected by reducing unrestricted net assets by the same amount in the accompanying statement of activities. As some of the unspent funds are from grant periods that are now closed it is possible that the grantor could require those unspent funds to be returned. The total amount subject to this risk is \$272,790 as of 12-31-08.

	<u>Unrestricted Net Assets</u>	<u>Restricted Net Assets</u>
As previously reported	\$ 97,809	\$171,822
Adjustment	<u>(100,968)</u>	<u>100,968</u>
As Corrected	<u>\$ (3,159)</u>	<u>\$ 272,790</u>

Note 6-DEFINED CONTRIBUTION PLAN

The Council adopted a non-contributory defined contribution plan for all employees with more than two years of service who are at least the age of 21. Pension expense calculated at 4% of eligible wages for 2008 was \$4,709. All employees on the plan's July 1, 2008 effective date were considered to be eligible without regard to length of service.

Note 7-FUNCTIONAL ALLOCATION OF EXPENSES:

The costs of providing the Council's various programs and supporting services have been presented in the Statement of Functional Expenses. Certain costs have been allocated among the programs and supporting services benefited based on employee time records, square feet of area used, etc.

Note 8- FAIR VALUE OF FINANCIAL INSTRUMENTS:

The Council has a number of financial instruments, none of which are held for trading purposes. Management estimates that the fair value of all financial instruments at December 31, 2008 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position.

Wellness Council of West Virginia , Inc
Schedule of State Grants Receipts and Expenditures
Federal Employer Identification Number 55-0684727
WVFIMS Vendor Number 44538
For the Year Ended 12/31/2008

<u>Spending Unit</u>	<u>Agreement Number</u>	<u>Award Amount</u>	<u>Amounts Received</u>	<u>Amounts Paid</u>
WVDHHR/BPH/OEH	G080277	\$235,626.00	\$ 154,244.00	\$ 66,963.00
WVDHHR/BPH/OEH	G090339	\$245,579.00	\$ 114,929.00	\$ 96,630.00
WVDHHR/BPH/OEH	G090331	\$ 96,052.00	\$ 65,500.00	\$ 47,045.00



**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
Wellness Council of West Virginia, Inc.
Institute, West Virginia

We have audited the financial statements of Wellness Council of West Virginia, Inc. ("Wellness Council"); (a nonprofit organization) as of and for the year ended December 31, 2008, and have issued our report thereon dated August 21, 2009. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Wellness Council's internal control over financial reporting as a basis for designing our auditing procedures 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 Wellness Council's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of

the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

We consider the deficiencies described in the accompanying schedule of findings and responses 2008-1, 2008-2, and 2008-3 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe that finding 2008-1 of the significant deficiencies described above is a material weakness.

Compliance

As part of obtaining reasonable assurance about whether Wellness Council's financial statements are free of 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 the following instances of noncompliance that are required to be reported under *Government Auditing Standards*.

West Virginia Code Chapter 12, Article 4, Section 14 requires that any grantee that receives one or more State grants in the amount of \$50,000 in the aggregate to file a report of the disbursement of State Grant Funds. This report must be filed with audited financial statements, with a specific reference to such report in the auditor's opinion. We found during our audit that none of these reports have been filed in the past.

The Internal Revenue Code requires that all organizations report annual payments of more than \$600 to all non corporate entities. During our audit we found that none of the required reports had been sent as required. While we did not do an exhaustive search, we found nine vendors that were paid a total of \$25,463 that should have received the IRS form 1099.

This communication is intended solely for the information and use of management, the board of directors, and the West Virginia Department of Health and Human Resources, and is not intended to be and should not be used by anyone other than these specified parties. Management's written

response to the significant deficiencies and material weakness identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Howan & Associates

Dunbar, WV

August 21, 2009

WELLNESS COUNCIL OF WEST VIRGINIA, INC.
SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2009

2008-1

Criteria-

All governmental grants require interim and annual financial reports that show how actual expenditures compare to the approved budget for the grant

Condition-

During our audit we found that reports filed with the State of WV simply reported that the budgeted amount had been spent. However when we tested the accuracy of these reports, as is required by governmental auditing standards, we found the budgeted award had been significantly under spent.

Effect –

The ultimate effect of this discrepancy on the financial statements is that the unrestricted funds, that is those funds that the Board has absolute control has been materially understated.

Recommendation-

As most of the required reports are on a fiscal year of June 30, instead of the Council's calendar fiscal year basis, we would suggest that an individual trained in accounting, and functions of the Council's accounting software be engaged to compile the financial information necessary for accurate reporting.

Questioned Costs-

See attached schedule

Management Response:

All of the Council's prior and current grant reports were prepared using methods approved by all of our previous auditors. As these methods were proven to be erroneous, we will engage an outside independent account to prepare all future reports. The Executive Director will review and approve all reports before they are submitted.

2008-2

Criteria-

One of the appropriate functions of a good system of internal controls is assurance that equipment purchases are properly approved and then properly accounted for once acquired.

Condition-

During our audit we found that there was a copier purchased for more than \$11,000 but we were not able to find documentation of any authorization to purchase such equipment in the board minutes. We also discovered that, as a result of an equipment inventory we requested, there was nearly \$12,000 of mostly computer equipment that had been lost, stolen, or broken. As all of this equipment was less than 3 and one-half years old, it should not have been obsolete.

Recommendation-

We would recommend that the Board set a maxim dollar amount over which specific board approval would be required prior to purchase. The presentation to the Board should include documentation of bids from at least three suppliers. We would also recommend complete physical inventories of particularly the computer equipment as often as is necessary to timely identify lost or stolen equipment.

Questioned Cost-

As this equipment was purchased in prior years, it is not known whether any or all of its cost was charged to a governmental grant.

Management Response-

We will adopt the auditor's recommendations

2008-3

Criteria-

Generally accepted accounting principles and OMB Circular A-122 require that disbursements be properly reviewed and documented.

Condition-

During our audit we found that sales tax had been improperly paid to several recurring vendors such as Xerox, Mr. Namay, & Gill Office Equipment. We also found that a portion of the credit card bills were not properly documented. We selected three of the twelve payments for testing, and found that approximately 17% of the underlying charges were not documented. As a total of \$50,510 were paid to this credit card company during the twelve months of 2008, it is possible that 17% of all payments were not documented.

Recommendation-

We would suggest that the person approving invoices for payment check each invoice for sales tax charges and only remit the net amount due along with a properly completed WV tax exempt certificate form. We would further suggest that if the credit card

statement reviewer finds missing supporting documentation, and the actual receipt is no longer available, that the reviewer request a written statement from the purchaser showing what was purchased and for what program that has been approved by the Executive Director.

Management Response-

At the recommendation of the auditor, the Council has compiled a list of all vendors and provided the necessary 501(c) 3 documentation to them for future purchases. Where possible, past sales tax was recouped.

Documentation of VISA purchases was eventually provided to the auditor for the above-referenced amounts. However, the audit revealed a serious issue with staff not filing receipts promptly with the administrative assistant nor properly supplying packing lists to the admin asst for shipments received. This issue has not been cited in past audits, however the Council staff increased during this grant cycle and some positions experienced turnover of personnel during the grant year. Recommended procedures are now in place to assure that all purchases are properly documented and approved immediately. Management has been told by the current accountant that VISA statements turned in since the audit have been 100% documented.

**Wellness Council of WV
 Schedule of Questioned Costs
 December 31, 2008**

<u>Finding Number</u>	<u>Spending Unit</u>	<u>Agreement Number</u>	<u>Reporting Period</u>	<u>Amount Reported</u>	<u>Actually Spent</u>	<u>Questioned Cost</u>
2008-1	WVDHHR/BPH/OEHP	G080277	7-1-2007 to 6-30-2008	\$ 235,601	\$132,910	\$102,691
2008-1	WVDHHR/BPH/OEHP	G090339	7-1-2008 to 12-31-2008	\$ 123,390	\$ 94,864	\$ 28,526
2008-1	WVDHHR/BPH/OEHP	G090331	7-1-2008 to 12-31-2008	\$ 43,795	\$ 44,691	\$ -