


Audited Financial Statements

Westbrook  Health Services

Years Ended June 30, 2010 and 2009

DHHR - Finance

FEB 23 2011

Date Received

**Gibbons
& Kawash**
Certified Public Accountants

Audited Financial Statements
WESTBROOK HEALTH SERVICES, INC
Years Ended June 30, 2010 and 2009

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Westbrook Health Services, Inc.
Parkersburg, West Virginia

We have audited the accompanying statement of financial position of Westbrook Health Services, Inc. (the Organization) as of June 30, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 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 the Organization, as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2011, on our consideration of the Organization's internal control over financial reporting and 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 of the Organization taken as a whole. The accompanying information on pages 14 to 22, as listed in the accompanying table of contents, is 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 (BHBF). The accompanying schedule of expenditures of federal awards on pages 23 and 24, is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying information, which is not a required part of the financial statements, is the responsibility of management and was derived from and relate 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.

Johnson & Kawash

February 14, 2011

DHHR - Finance

FEB 28 2011

Date Received

WESTBROOK HEALTH SERVICES, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2010 and 2009

<u>ASSETS</u>	<u>2010</u>	<u>2009</u>
Current assets:		
Cash and cash equivalents	\$ 367,061	\$ 38,308
Accounts receivable, less allowance for doubtful accounts of \$292,586 and \$249,310 in 2010 and 2009	1,344,021	1,490,047
Federal and state funds receivable	579,543	436,250
Other assets	<u>62,199</u>	<u>54,987</u>
Total current assets	<u>2,352,824</u>	<u>2,019,592</u>
Investments	11,000	11,000
Property and equipment, less accumulated depreciation	<u>3,196,213</u>	<u>3,116,675</u>
Total assets	<u>\$ 5,560,037</u>	<u>\$ 5,147,267</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 392,387	\$ 518,201
Bank overdraft	-	114,333
Salaries payable	493,910	444,230
Accrued expenses	197,256	153,421
Accrued vacation payable	199,735	197,193
Line of credit	800,000	825,000
Current maturities of long-term debt	-	94,340
Other liabilities	<u>21,418</u>	<u>29,181</u>
Total current liabilities	<u>2,104,706</u>	<u>2,375,899</u>
Long-term debt, less current maturities	<u>-</u>	<u>4,048</u>
Total liabilities	<u>2,104,706</u>	<u>2,379,947</u>
Unrestricted net assets	<u>3,455,331</u>	<u>2,767,320</u>
Total liabilities and net assets	<u>\$ 5,560,037</u>	<u>\$ 5,147,267</u>

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

WESTBROOK HEALTH SERVICES, INC

STATEMENT OF ACTIVITY

Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Support and revenue:		
Operating revenues:		
Patient revenue (net of discounts, adjustments, and write-offs of \$7,760,603 and \$7,563,036 in 2010 and 2009)	\$ 11,896,109	\$ 10,587,401
State and federal grants	4,640,730	4,289,451
Local and county grants	<u>145,895</u>	<u>155,049</u>
	<u>16,682,734</u>	<u>15,031,901</u>
Non-operating revenues:		
Miscellaneous	<u>204,913</u>	<u>224,312</u>
Total unrestricted revenues	<u>16,887,647</u>	<u>15,256,213</u>
Expenses:		
Salaries and wages	9,822,451	9,461,838
Fringe benefits and payroll taxes	1,919,038	1,819,900
Office	27,960	25,697
Staff training	50,314	31,011
Program operations and supplies	218,795	192,807
Contracted services and professional fees	1,688,775	1,343,799
Travel	394,444	390,579
Utilities	197,055	205,928
Telephone and pagers	175,672	124,662
Insurance	169,041	183,394
Rental	230,084	228,466
Food products	130,014	140,249
Maintenance	244,849	221,429
Interest	57,632	70,698
Advertising and recruitments	35,988	35,559
Non-capitalized equipment	10,161	15,037
Medicaid taxes	388,370	482,280
Miscellaneous	78,144	52,853
Depreciation	<u>360,849</u>	<u>375,796</u>
Total expenses	<u>16,199,636</u>	<u>15,401,982</u>
Increase (decrease) in net assets	688,011	(145,769)
Unrestricted net assets, beginning of year	<u>2,767,320</u>	<u>2,913,089</u>
Unrestricted net assets, end of year	<u>\$ 3,455,331</u>	<u>\$ 2,767,320</u>

The accompanying notes are an integral part of these financial statements

WESTBROOK HEALTH SERVICES, INC

STATEMENT OF CASH FLOWS

Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating expenses:		
Change in net assets	\$ 688,011	\$ (145,769)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	360,849	375,796
Provision for bad debts	184,467	191,975
(Increase) decrease in:		
Accounts receivable	(38,441)	(684,001)
Federal and state funds	(143,293)	123,171
Other assets	(7,212)	9,384
Increase (decrease) in:		
Accounts payable	(125,814)	286,903
Salaries payable	49,680	36,327
Accrued expenses	43,835	60,503
Accrued vacation payable	2,542	5,407
Other liabilities	<u>(7,763)</u>	<u>3,364</u>
Net cash provided by operating activities	<u>1,006,861</u>	<u>263,060</u>
Cash flows used in investing activities:		
Purchases of property and equipment	<u>(440,387)</u>	<u>(497,319)</u>
Cash flows from financing activities:		
Proceeds from line of credit	1,675,000	1,450,000
Payments on line of credit	(1,700,000)	(1,625,000)
Proceeds from (repayments of) bank overdrafts	(114,333)	114,333
Principal payments on long-term debt	<u>(98,388)</u>	<u>(99,612)</u>
Net cash used in financing activities	<u>(237,721)</u>	<u>(160,279)</u>
Net increase (decrease) in cash and cash equivalents	328,753	(394,538)
Cash and cash equivalents, beginning of year	<u>38,308</u>	<u>432,846</u>
Cash and cash equivalents, end of year	<u>\$ 367,061</u>	<u>\$ 38,308</u>

The accompanying notes are an integral part of these financial statements

WESTBROOK HEALTH SERVICES, INC

NOTES TO FINANCIAL STATEMENTS

1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIESDescription of Organization

Westbrook Health Services, Inc. (the Organization) is a nonprofit, nonstock corporation organized under the laws of the State of West Virginia. The Organization is classified as other than a private foundation. The Organization was formed to plan, develop, provide, and maintain comprehensive, community-based mental health and substance abuse services for the West Virginia counties of Calhoun, Jackson, Pleasants, Ritchie, Roane, Tyler, Wirt, and Wood, and to provide consultation and technical assistance to community groups and organizations concerning the delivery of mental health and substance abuse services.

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 Organization recognizes grant revenue as qualifying expenditures are incurred.

Cash and Cash Equivalents

The Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Net Patient Service Revenue

The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated contractual adjustments under reimbursement agreements with third-party payors. The allowance for doubtful accounts is based on management's experience and analysis of prior year collections. The Organization's policy for writing off bad debts includes writing off amounts due from patients after 90 days if no payment is received, and amounts due from third party payors after 365 days if no payment is received.

Charity Care

The Organization provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Organization does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

WESTBROOK HEALTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

Property and equipment are stated at cost or, in the case of donated assets, at fair value on the date of donation. Major purchases and improvements are capitalized while repairs and maintenance are expensed as incurred. Depreciation has been provided over the estimated useful lives using the straight-line method. Estimated useful lives are as follows:

Buildings and improvements	10-40 years
Vehicles, furniture and equipment	3-20 years

Advertising

It is the policy of the Organization to expense all advertising costs as incurred.

Income Taxes

The Organization is generally 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. The Organization has been classified as an organization that is not a private foundation under Section 509(a)(2).

For the year ended June 30, 2010, the Organization implemented the accounting guidance for uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the position will be sustained upon examination by the tax authorities. The adoption of the new guidance did not have an impact on the financial statements.

The Organization is generally no longer subject to examination by income tax authorities for years ended prior to June 30, 2007.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain 2009 balances have been reclassified to conform with the 2010 presentation.

WESTBROOK HEALTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

The date to which events occurring after June 30, 2010 have been evaluated for possible adjustment to or disclosure in the financial statements is February 14, 2011, which is the date on which the financial statements were available to be issued.

2 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Property, buildings, and improvements	\$ 4,435,640	\$ 4,337,173
Office furniture and fixtures	432,999	420,468
Major moveable equipment	<u>2,881,203</u>	<u>2,612,107</u>
	7,749,842	7,369,748
Less accumulated depreciation	<u>4,553,629</u>	<u>4,253,073</u>
	<u>\$ 3,196,213</u>	<u>\$ 3,116,675</u>

Depreciation expense for 2010 and 2009 was \$360,849 and \$375,796, respectively, of which \$6,363 and \$4,760, respectively, was attributable to fixed assets purchased during the year with state allocated funds.

Cost of property and equipment purchased with Bureau for Behavioral Health & Health Facilities grant funds and related accumulated depreciation was \$650,228 and \$501,994, respectively, at June 30, 2010, and \$567,537 and \$437,209, respectively, at June 30, 2009.

Property and equipment includes certain buildings and land provided to the Organization under long-term leases which require annual payments of \$1 for terms of ninety-nine years. The cost of such buildings provided by the State of West Virginia was \$1,246,100, while accumulated depreciation related to these buildings was \$902,619 and \$870,668 at June 30, 2010 and 2009, respectively. Land provided to the Organization under this lease amounted to \$350,000 as of June 30, 2010 and 2009. The cost of the facilities and land is the fair market value at the inception of the lease. The lease with the State of West Virginia expires in 2076. The recorded balance of the building provided by the Wood County Commission was \$250,000, while accumulated depreciation related to this building was \$34,188 and \$27,778 at June 30, 2010 and 2009, respectively. The lease with the Wood County Commission expires in 2104. The recorded balance of the apartment complex provided by the State of West Virginia was \$124,940, while accumulated depreciation related to this property was \$20,556 and \$17,353 at June 30, 2010 and 2009, respectively. The lease expires in 2043.

WESTBROOK HEALTH SERVICES, INC

NOTES TO FINANCIAL STATEMENTS
(Continued)**2 - PROPERTY AND EQUIPMENT (Continued)**

The Crisis Stabilization unit was constructed using grant funds provided by the State of West Virginia. The recorded balance of the facility was \$409,789, while accumulated depreciation related to this building was \$57,791 and \$47,283 at June 30, 2010 and 2009, respectively.

3 - LONG-TERM DEBT

Long-term debt consisted of the following at June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Note payable to bank, payable in monthly installments of \$8,408, including interest at a variable rate of 2% above the prime commercial lending rate as established by Chase Bank, final payment made June 2010, secured by a deed of trust and an assignment of the construction contracts on the Spencer Projects, Spencer, West Virginia	\$ -	\$ 98,388
Less current portion	<u>-</u>	<u>94,340</u>
	<u>\$ -</u>	<u>\$ 4,048</u>

The Organization has a \$2,000,000 operating line of credit with a local bank, with variable interest payable at the banks base rate plus 0.5%, subject to a floor of 5.0% and a ceiling of 18%. The line is secured by accounts receivable, grants receivable, and other personal property. At June 30, 2010 and 2009, the balance outstanding under this line of credit was \$800,000 and \$825,000, respectively. The line of credit, which expires October 31, 2011, requires the Organization to maintain a specified minimum debt service coverage ratio.

Cash paid for interest during the years ended June 30, 2010 and 2009, was \$57,632 and \$70,698, respectively.

4 - LEASES

The Organization leases land, buildings, postage equipment, and copiers under various operating leases expiring through 2013. Some of these leases may be cancelled with proper advance notice by the Organization. The minimum future lease obligations under the various operating leases are as follows:

WESTBROOK HEALTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)**4 - LEASES (Continued)**

<u>Fiscal Year</u>	
2011	\$ 72,235
2012	38,583
2013	<u>1,405</u>
	<u>\$ 112,223</u>

Rental expense for the years ended June 30, 2010 and 2009, was \$230,084 and \$228,466, respectively.

5 - RETIREMENT PLAN

Effective July 1, 1997, eligible employees had the option to be covered under the West Virginia Public Employees' Retirement Plan or Westbrook Health Services, Inc. Pension Plan.

The West Virginia Public Employees' Retirement Plan is a defined benefit plan for which contributions are made at a rate of 10.5% and 4.5% of the employees' gross salary by the Organization and the employee, respectively. The Organization's contribution on behalf of its employees was \$6,358 and \$12,391 in 2010 and 2009, respectively.

The Westbrook Health Services, Inc., Pension Plan is a 401(k) plan for which contributions may be made by the employee up to the maximum percentage allowable, not to exceed the limits of Code Sections 401(k), 404, and 415. The Organization contributes 2% of eligible employee compensation. The Organization's contribution on behalf of its employees was \$130,291 and \$128,487 in 2010 and 2009, respectively.

6 - THIRD-PARTY TRANSACTIONS AND ECONOMIC DEPENDENCY

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

WESTBROOK HEALTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)**6 - THIRD-PARTY TRANSACTIONS AND ECONOMIC DEPENDENCY (Continued)**

Revenue recognized from client services is as follows for the year ended June 30, 2010:

	Gross Patient Revenue	Less: Contractual Adjustments, Charity Care, and Bad Debt Expense	Net Patient Revenue
Medicaid	\$ 5,354,627	\$ 1,778,160	\$ 3,576,467
Medicaid waiver	9,412,116	2,205,305	7,206,811
Medicare	761,262	544,820	216,442
Private pay	478,602	224,494	254,108
Insurance	915,305	425,490	489,815
Other (including charity care)	2,734,800	2,397,867	336,933
Bad debt expense	-	184,467	(184,467)
Total	<u>\$ 19,656,712</u>	<u>\$ 7,760,603</u>	<u>\$ 11,896,109</u>

Revenue recognized from client services is as follows for the year ended June 30, 2009:

	Gross Patient Revenue	Less: Contractual Adjustments, Charity Care, and Bad Debt Expense	Net Patient Revenue
Medicaid	\$ 4,360,525	\$ 1,893,878	\$ 2,466,647
Medicaid waiver	9,877,427	2,761,471	7,115,956
Medicare	621,312	423,252	198,060
Private pay	269,373	16,122	253,251
Insurance	873,426	422,298	451,128
Other (including charity care)	2,148,374	1,854,040	294,334
Bad debt expense	-	191,975	(191,975)
Total	<u>\$ 18,150,437</u>	<u>\$ 7,563,036</u>	<u>\$ 10,587,401</u>

WESTBROOK HEALTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)**7 - CONCENTRATION OF CREDIT RISK**

Financial instruments which potentially expose the Organization to significant concentrations of credit risk consist of cash, accounts receivable and federal and state funds receivable.

To limit concentration of credit risk associated with cash, the Organization places its cash with high quality financial institutions. At times, the balances in such institutions may exceed amounts covered by FDIC insurance. The Organization 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 Organization maintains allowances for potential losses, which, when realized, have been within the range of management's expectations.

8 - RELATED PARTIES

Westbrook Health Services, Inc., acts as the sponsor and provides bookkeeping services to Westland Adams Management Corporation. Westland Adams Management Corporation was formed to own, operate, and manage apartment dwellings for those persons who have psychiatric disabilities/chronic mental illness and otherwise provide shelter for such individuals and for such other similar purposes permitted to non-profit corporations in the State of West Virginia.

9 - COMMITMENTS AND CONTINGENCIES

Approximately 15% of the Organization's employees are represented by the United Food & Commercial Workers Union, which has entered into a collective bargaining agreement with the Organization, which will expire in September 2012.

10 - FUNCTIONAL ALLOCATION OF EXPENSES

The Organization's policy is to allocate the indirect expenses of administrative overhead (supporting services) to the various programs and other activities of the Organization. Management determines the allocation by applying a percentage of the various direct costs related to each program. Expenses related to providing these services for the years ended June 30, 2010 and 2009, are as follows:

	<u>2010</u>	<u>2009</u>
Program services	\$ 13,396,098	\$ 12,789,201
General and administrative	<u>2,803,538</u>	<u>2,612,781</u>
	<u>\$ 16,199,636</u>	<u>\$ 15,401,982</u>

WESTBROOK HEALTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)**11 - NEW ACCOUNTING PRONOUNCEMENT**

In August 2010, Accounting Standards Update (ASU) 2010-23, entitled *Health Care Entities – Measuring Charity Care for Disclosure* was issued. The ASU, which is effective for the Organization's fiscal year ending June 30, 2012, will require health care entities to measure and disclose charity care based on the cost of providing such care. The use of a revenue measurement in disclosing charity care is eliminated. The effect of implementing this ASU on the Organization's disclosure of charity care amounts has not been determined.

ACCOMPANYING INFORMATION

WESTBROOK HEALTH SERVICES, INC.

SCHEDULE OF EXPENDITURES OF STATE AWARDS

Year Ended June 30, 2010

Grantor/Program Title	Grantor's Number	Program or Award Amount	Extended P.O.	Refundable Advances June 30, 2009	Amount Collected in Current Year	Net Disbursements/Expenditures	Refundable Advances June 30, 2010
WV Department of Health and Human Resources, Bureau for Behavioral Health and Health Facilities (BHHP):							
Children MH Uncompensated Care	0525-2008-2913-219-252	\$ 15,000	\$ -	\$ -	\$ 6,780	\$ 12,267	\$ -
Uncompensated Care	0525-2009-3065-219-252	458,903	-	-	458,903	458,903	-
MH - Client Core Services	0525-2010-2851-219-252	438,840	-	-	438,840	438,840	-
Case Management	0525-2010-2851-219-252	25,000	-	-	20,830	25,000	-
DD - Client Core Services	0525-2010-2870-219-252	125,200	-	-	125,200	125,200	-
Family Support	0525-2010-2870-221-252	80,285	-	-	80,285	80,285	-
Community Placement	0525-2010-2870-803-252	208,050	-	-	151,595	180,077	-
PI Services	0525-2010-2885-219-252	113,400	-	-	112,444	113,400	-
SA - Women	0525-2010-2890-219-252	256,500	-	-	150,963	197,481	-
SA - Adult Residential Treatment	0525-2010-2891-219-252	91,757	-	-	80,436	91,757	-
SA - Adolescent Outpatient	0525-2010-2892-219-252	55,539	-	-	54,369	55,539	-
Community Based Services	0525-2010-2913-219-252	70,400	-	-	56,262	70,396	-
Support Alternative Services	0525-2010-3041-219-252	421,704	-	-	421,704	421,704	-
Uncompensated Care	0525-2010-3065-219-252	283,838	-	-	283,838	283,838	-
Group Homes	0525-2010-3115-219-252	857,034	-	-	-	-	-
Care Coordinators Improvement	0525-2010-3701-219-252	384,270	-	-	351,104	384,270	-
Community Supports Imp. Adult	0525-2010-3702-219-252	64,045	-	-	46,730	63,234	-
Community Supports Imp. Children	0525-2010-3702-219-252	60,000	-	-	33,914	60,000	-
Forensic Homes	0525-2010-3703-335-252	577,550	-	-	358,735	451,731	-
PATH	8723-2010-2851-096-128-17707	25,000	-	-	25,000	25,000	-
SBIRT	8723-2010-2886-096-128-17782	638,153	-	-	170,636	255,116	-
Care Connection	8723-2011-2849-096-128-17653	7,500	-	-	-	7,500	-
SA Services	8793-2010-2885-096-128-16746	119,305	-	-	96,347	119,303	-
SA Women	8793-2010-2890-096-128-16746	191,974	-	-	121,072	176,647	-
SA Residential	8793-2010-2891-096-128-16746	273,019	-	-	97,960	197,486	-
SA Adolescent	8793-2010-2892-096-128-16746	100,000	-	-	100,000	100,000	-
Total BHHP		5,942,266	-	-	3,843,947	4,394,974	-
Total State Awards		\$ 5,942,266	\$ -	\$ -	\$ 3,843,947	\$ 4,394,974	\$ -

See Independent Auditor's Report.

WESTBROOK HEALTH SERVICES, INC.

SCHEDULE OF BHHF FUNDED FIXED ASSETS

Year Ended June 30, 2010

<u>Provider ID # & Description</u>	<u>Date Acquired</u>	<u>Cost</u>
Assets purchased and capitalized:		
31 Desk, Cabinet, Bookcase	01/01/74	\$ 1,649
46 Thought Tank	01/01/78	1,004
57 Thought Tank & Shelving	01/01/78	4,821
125 Office Furniture Medley	07/01/86	2,691
232 92 Chevy Astro Van	03/31/93	18,000
133 Furniture - Murphytown	12/02/93	3,990
236 Telephone System - Gregg	03/24/94	2,444
244 Refrigerator	03/30/95	1,515
136 Office Furniture	05/19/94	2,916
137 Desk/Credenza	05/19/94	1,378
237 DEX 645 O Valley	06/08/94	1,809
238 DEX 85 O Valley	06/08/94	1,261
128 Office Furniture	06/23/94	1,505
129 Office Furniture	06/23/94	1,671
141 Tables/Chairs/Desks	01/01/95	13,261
247 Equipment	01/01/95	3,220
245 Personal Computer Systems	03/16/95	9,424
243 VCRs/TVs/Camcorders	03/30/95	2,345
529 SA Computers	03/01/02	9,325
541 Laptop Computer	09/08/03	1,569
544 2003 Chevy Impala	09/30/03	19,818
546 2003 Chevy 3500 Express	09/30/03	28,309
554 Furniture	01/30/04	1,342
555 Furniture/Women's Residential	02/02/04	5,747
559 Stoves/Refrigerator	02/17/04	2,773
556 Oven	03/19/04	3,500
558 Chevy Van 4Dr White	04/01/04	19,112
568 Projector & Other Equipment	04/19/04	4,251
557 Amity Machinery/Equipment	04/22/04	3,501
560 Furnaces & A/C	05/07/04	17,227
561 5 Washer/Dryer	05/18/04	2,756
571 2005 GMC 12 Passenger Van	06/28/04	19,059

(Continued)

WESTBROOK HEALTH SERVICES, INC.

SCHEDULE OF BHHF FUNDED FIXED ASSETS
(Continued)

Year Ended June 30, 2010

Provider ID # & Description	Date Acquired	Cost
572 2005 GMC 12 Passenger Van	06/28/04	19,059
573 2005 GMC 12 Passenger Van	06/28/04	24,299
574 2005 GMC 12 Passenger Van	06/28/04	24,902
577 2005 GMC 12 Passenger Van	10/28/04	25,277
578 2005 GMC 12 Passenger Van	10/28/04	25,881
580 2005 GMC 12 Passenger Van	10/28/04	20,037
582 2005 GMC 12 Passenger Van	10/28/04	27,060
600 2005 Buick Lacrosse	06/30/05	21,393
601 Computer Equip - Insight	06/30/05	19,877
602 Computer Equip - Source Code	06/30/05	5,597
603 Appliances for 16th Street	06/30/05	3,308
607 Washer and Dryer	03/31/06	2,014
608 Laptop Computer	03/31/06	2,255
611 Garden Tractor	04/24/06	2,331
612 Ice Maker	04/26/06	1,776
803 Computer Equip - Insight	08/09/06	10,512
803 Computer Equip - Source Code	08/18/06	2,609
803 Computer Equip - Source Code	08/18/06	2,399
803 2004 Hyundai	11/10/06	11,090
803 2005 Toyota Camry	11/10/06	14,244
703 2003 Hyundai Sonata	11/13/06	9,099
703 2000 Toyota Camry	11/13/06	8,889
632 Tilt N Space Shower Curtain	07/30/07	1,298
607 Furniture for lobby	02/25/08	2,316
608 Furniture for lobby	04/29/08	120
204 Chrysler Town and Country	07/14/08	12,458
210 Dodge Caravan	07/14/08	13,508
725 2009 Sierra	06/23/09	26,046
726 2006 Chevy Van	06/23/09	14,690
725 Insight-new Computers	12/08/09	10,408
480 Insight-new Computers	12/08/09	2,081
506 Insight-new Computers	12/08/09	4,163
505 Insight-new Computers	12/08/09	10,408

(Continued)

WESTBROOK HEALTH SERVICES, INC.

SCHEDULE OF BHHF FUNDED FIXED ASSETS
(Continued)

Year Ended June 30, 2010

Provider ID # & Description	Date Acquired	Cost
725 Value City Furniture	02/17/10	2,751
495 Zones Inc. Computers	06/07/10	9,993
495 Zones Inc. Computers	06/07/10	12,863
199 This End Up Furniture	06/08/10	6,390
401 Value City Furniture	06/11/10	1,885
401 Value City Furniture	06/20/10	1,201
495 Insight Computer Supplies	07/22/09	12,822
495 Insight Lenovo Branded Key	07/22/09	1,659
495 Cybernetics Window Agent	09/24/09	6,067
		\$ 650,228

See Independent Auditor's Report.

WESTBROOK HEALTH SERVICES, INC.

SCHEDULE OF BHHF FUNDING STATUS

Year Ended June 30, 2010

State Account Number	Current Year Award Amount	Award Extended From Prior Year	Refundable Advances July 1, 2009	Amount Earned and Billed	Refundable Advances June 30, 2010	Amount Not Billed	Amount Collected
0525-2008-2913-219-252	\$ 15,000	\$ -	\$ -	12,267	\$ -	\$ 2,733	\$ 6,780
0525-2009-3065-219-252	458,903	-	-	458,903	-	-	458,903
0525-2010-2851-219-252	438,840	-	-	438,840	-	-	438,840
0525-2010-2851-219-252	25,000	-	-	25,000	-	-	20,830
0525-2010-2870-219-252	125,200	-	-	125,200	-	-	125,200
0525-2010-2870-221-252	80,285	-	-	80,285	-	-	80,285
0525-2010-2870-803-252	208,050	-	-	180,077	-	27,973	151,595
0525-2010-2885-219-252	113,400	-	-	113,400	-	-	112,444
0525-2010-2890-219-252	256,500	-	-	197,481	-	59,019	150,963
0525-2010-2891-219-252	91,757	-	-	91,757	-	-	80,436
0525-2010-2892-219-252	55,539	-	-	55,539	-	-	54,369
0525-2010-2913-219-252	70,400	-	-	70,396	-	4	56,262
0525-2010-3041-219-252	421,704	-	-	421,704	-	-	421,704
0525-2010-3065-219-252	283,838	-	-	283,838	-	-	283,838
0525-2010-3115-219-252	857,034	-	-	-	-	857,034	-
0525-2010-3701-219-252	384,270	-	-	384,270	-	-	351,104
0525-2010-3702-219-252	64,045	-	-	63,234	-	811	46,730
0525-2010-3702-219-252	60,000	-	-	60,000	-	-	33,914
0525-2010-3703-335-252	577,550	-	-	451,731	-	125,819	358,735
8723-2010-2851-096-128-17707	25,000	-	-	25,000	-	-	25,000
8723-2010-2886-096-128-17782	638,153	-	-	255,116	-	383,037	170,636
8723-2011-2849-096-128-17653	7,500	-	-	7,500	-	-	-
8793-2010-2885-096-128-16746	119,305	-	-	119,303	-	2	96,347
8793-2010-2890-096-128-16746	191,974	-	-	176,647	-	15,327	121,072
8793-2010-2891-096-128-16746	273,019	-	-	197,486	-	75,533	97,960
8793-2010-2892-096-128-16746	100,000	-	-	100,000	-	-	100,000
	<u>\$ 5,942,266</u>	<u>\$ -</u>	<u>\$ -</u>	<u>4,394,974</u>	<u>\$ -</u>	<u>\$ 1,547,292</u>	<u>\$ 3,843,947</u>

See Independent Auditor's Report.

WESTBROOK HEALTH SERVICES, INC.
 BUREAU FOR BEHAVIORAL HEALTH AND HEALTH FACILITIES
 SCHEDULE OF STANDARDIZED FINANCIAL STATEMENTS - BALANCE SHEET
 FOR COMPREHENSIVE AND MR/DD FACILITIES
 ACCRUAL BASIS

June 30, 2010

ASSETS

CURRENT ASSETS:

1.	Cash	\$ 360,341
2.	Short-Term Investments	17,720
3.	Accounts Receivable - BHHF	551,091
4.	Accounts Receivable - Client	188,523
5.	Accounts Receivable - Medicaid	462,117
6.	Accounts Receivable - Medicaid MR/DD Waiver	518,058
7.	Accounts Receivable - Other	203,775
8.	Inventory	-
9.	Prepaid/Other	<u>60,828</u>
10.	TOTAL CURRENT ASSETS	<u>2,362,453</u>
	(Total of lines 1-9)	

NON-CURRENT ASSETS:

FIXED ASSETS

11.	Property, Land, and Equipment - BHHF	-
12.	Less Accumulated Depreciation	-
13.	Property, Land, and Equipment - Other	7,749,842
14.	Less Accumulated Depreciation	<u>(4,553,629)</u>
15.	Total Property, Land, and Equipment (NET)	<u>3,196,213</u>

OTHER NON-CURRENT ASSETS:

16.	Long-Term Investments	-
17.	Other	<u>1,371</u>
18.	TOTAL ASSETS	<u>\$ 5,560,037</u>
	(Total of lines 10, 15, 16, and 17)	

(Continued)

WESTBROOK HEALTH SERVICES, INC.
 BUREAU FOR BEHAVIORAL HEALTH AND HEALTH FACILITIES
 SCHEDULE OF STANDARDIZED FINANCIAL STATEMENTS - BALANCE SHEET
 FOR COMPREHENSIVE AND MR/DD FACILITIES
 ACCRUAL BASIS
 (Continued)

June 30, 2010

LIABILITIES

CURRENT LIABILITIES:

19	Accounts Payable	\$ 392,387
20	Taxes Payable	-
20A	Provider Taxes Payable	-
21	Line of Credit - Payable	800,000
22	Short-Term Notes Payable	-
23	Accrued Expenses	889,895
24	Other Current Liabilities	<u>22,424</u>
25	TOTAL CURRENT LIABILITIES (Total of lines 19-24)	2,104,706

LONG-TERM LIABILITIES

26	Long-Term Notes Payable	-
27	Other Long-Term Liabilities	<u>-</u>
28	TOTAL LIABILITIES (Total of lines 25, 26, and 27)	2,104,706

NET ASSETS

29	Unrestricted Net Assets	3,455,331
30	Temporarily Restricted Net Assets	-
31	Permanently Restricted Net Assets	<u>-</u>
32	TOTAL LIABILITIES AND NET ASSETS (Total of lines 28-31)	<u>\$ 5,560,037</u>

WESTBROOK HEALTH SERVICES, INC.
 BUREAU FOR BEHAVIORAL HEALTH AND HEALTH FACILITIES
 SCHEDULE OF STANDARDIZED FINANCIAL STATEMENTS - STATEMENT
 OF ACTIVITY FOR COMPREHENSIVE AND MR/DD FACILITIES
 ACCRUAL BASIS

Year Ended June 30, 2010

REVENUE AND SUPPORT

1.	Charity Care	
1a.	Charity Care - Account 4311.1	\$ (375,770)
1b.	Charity Care - Account 4311.2	(809,950)
1c.	Charity Care - Account 4312.1	-
1d.	Charity Care - Account 4312.2	-
1e.	Charity Care - Account 4314.1	-
1f.	Charity Care - Account 4314.2	-
1g.	Charity Care - Account 4315.1	(264,949)
1h.	Contractual Write-Off Charity - Account 4337.1	(883,612)
1i.	Charity Care Revenue - Account 4329	2,069,332
1j.	Support/Alternative Svcs. Rev. - Account 4358	<u>264,949</u>
	Total	<u>-</u>
2.	Gross Client Service Revenue	19,656,712
3.	Contractual Adjustments (Target Funds)	(1,558,630)
3a.	Contractual Adjustments (Non-Target Funds)	<u>(6,017,506)</u>
5.	Net Client Service Revenue	<u>12,080,576</u>
	Net Client Service Revenue:	
6.	Medicaid (Target Funds)	1,013,713
6a.	Medicaid (Non-Target Funds)	2,562,754
7.	Medicaid MR/DD Waiver (Non-Target Funds)	7,206,811
8.	ICF/MR (Non-Target Funds)	-
9.	Private Pay (Non-Target Funds)	160,388
9a.	Private Pay (BHHF Target Funds)	93,720
9b.	Private Pay (BHHF Non-Target Funds)	-
10.	Other Client Service Revenue (Target Funds)	172,089
10a.	Other Client Service Revenue (Non-Target Funds)	<u>871,101</u>
11.	Total Net Client Service Revenue	12,080,576
	(Line 11 must agree with Line 5)	

(Continued)

WESTBROOK HEALTH SERVICES, INC.
 BUREAU FOR BEHAVIORAL HEALTH AND HEALTH FACILITIES
 SCHEDULE OF STANDARDIZED FINANCIAL STATEMENTS - STATEMENT
 OF ACTIVITY FOR COMPREHENSIVE AND MR/DD FACILITIES
 ACCRUAL BASIS
 (Continued)

Year Ended June 30, 2010

12	BHHF Support	4,534,520
13	Other/Public Support	252,105
14	Other	<u>204,913</u>
15	TOTAL REVENUE AND SUPPORT (Total of lines 11-14)	<u>\$ 17,072,114</u>

EXPENSES

16	Salaries	\$ 9,819,909
17	Fringe Benefits	1,921,581
18	Contractual Services	1,688,774
19	Provider Tax	381,748
19a.	Bad Debt	129,621
19b.	Bad Debt (BHHF Target Funds)	54,846
19c.	Bad Debt (BHHF Non-Target Funds)	-
20	Depreciation Expense	360,849
21	Other Expenses	<u>2,026,775</u>
22	TOTAL EXPENSES (Total of lines 16-21)	<u>16,384,103</u>
23	NET INCOME (LOSS) (Line 15 minus line 22)	<u>\$ 688,011</u>

See Independent Auditor's Report

WESTBROOK HEALTH SERVICES, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2010

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Program or Award Amount	Refundable Advances June 30, 2009	Disbursements/Expenditures	Refundable Advances June 30, 2010
Major programs:						
<u>Department of Health and Human Services:</u>						
Passed through State of West Virginia Department of Health and Human Resources, Bureau for Behavioral Health and Health Facilities:						
Federal Block Grants:						
Substance Abuse Services	93.959	8793-2010-2885-096-128	\$ 119,305	\$ -	\$ 119,305	\$ -
		8793-2010-2890-096-128	191,974	-	191,974	-
		8793-2010-2891-096-128	273,019	-	273,019	-
		8793-2010-2892-096-128	100,000	-	100,000	-
Substance Abuse and Mental Health Services Grant: Screening, Brief Intervention, Referral and Treatment (SBIRT)	93.243	8723-2010-2885-096-128	638,153	-	318,713	-
Total major programs			<u>1,322,451</u>	-	<u>1,003,011</u>	-
Non-major programs:						
<u>Department of Health and Human Services:</u>						
Passed through State of West Virginia Department of Health and Human Resources, Bureau for Behavioral Health and Health Facilities:						
Substance Abuse and Mental Health Services Grant: Data and Infrastructure	93.243	8723-2010-2849-096-128	7,500	-	7,500	-
Projects for Assistance in Transition from Homelessness (PATH)	93.150	8723-2010-2851-096-128	25,000	-	25,000	-
Total non-major programs			<u>32,500</u>	-	<u>32,500</u>	-
Total Federal Awards			<u>\$ 1,354,951</u>	-	<u>\$ 1,035,511</u>	-

See Independent Auditor's Report and Note to Schedule of Expenditures of Federal Awards.

WESTBROOK HEALTH SERVICES, INC

NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2010

1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Westbrook Health Services, Inc, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**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**

The Board of Directors
Westbrook Health Services, Inc.
Parkersburg, West Virginia

We have audited the financial statements of Westbrook Health Services, Inc. (the Organization) as of and for the year ended June 30, 2010, and have issued our report thereon dated February 14, 2011. 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 the Organization'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 Organization'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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness


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 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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2010-1 to be a material weakness

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 an immaterial instance of noncompliance that are required to be reported under *Government Auditing Standards*, which we have reported to management of the Organization in a separate letter dated February 14, 2011.

The Organization's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Organization's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



February 14, 2011

DHHR - Finance

FEB 23 2011

Date Received

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND
MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

The Board of Directors
Westbrook Health Services, Inc.
Parkersburg, West Virginia

Compliance

We have audited Westbrook Health Services, Inc.'s (the Organization) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2010. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Organization's compliance with those requirements.

In our opinion, the Organization complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2010.

Internal Control Over Compliance

The management of the Organization is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable

to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in an entity's internal control over compliance 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, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness.

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



February 14, 2011

DHHR - Finance

FEB 23 2011

Date Received

WESTBROOK HEALTH SERVICES, INC
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2010

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's reports issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

Yes No

Identification of Major programs:

CFDA Number

Name of Federal Program or Cluster

93.959
93.243

Substance Abuse Services
Screening, Brief, Intervention,
Referral and Treatment (SBIRT)

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

\$300,000

Auditee qualified as low-risk auditee?

Yes No

WESTBROOK HEALTH SERVICES, INC.
(Continued)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

Section II - Financial Statement Findings

2010-1 NET PATIENT SERVICE REVENUES

Criteria

Internal controls should be designed and implemented to ensure that the financial statements are fairly stated in accordance with generally accepted accounting principles

Condition

Internal controls are not sufficient to ensure that billings for patient service revenues and the related accounts receivable are accurately recorded on a timely basis. In addition, internal controls are not sufficient to ensure that the allowance for doubtful accounts is recorded in accordance with generally accepted accounting principles

Context

Net patient service revenues and the related accounts receivable were understated by approximately \$400,000. In addition, the allowance for doubtful accounts was understated by approximately \$43,000 and had not been adjusted since the previous fiscal year.

Effect

The financial statements contained material misstatements, which required adjustment in order for them to be presented in accordance with generally accepted accounting principles

Cause

Controls related to the recognition of net patient service revenues and related accounts receivable were not functioning as designed.

Recommendation

We recommend that management implement policies and procedures to ensure that net patient service revenues and related accounts receivable are accurately recorded on a timely basis. These procedures should ensure that revenue is recognized and timely recorded for all services performed and contractual adjustments are matched to the period that the revenue is recognized. In addition, we recommend that management assess the current staffing levels in the accounting department to ensure that adequate resources are available to meet the Organization's objectives.

WESTBROOK HEALTH SERVICES, INC.
(Continued)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

Section II - Financial Statement Findings (Continued)

2010-1 NET PATIENT SERVICE REVENUES (Continued)

Views of Responsible Officials and Planned Corrective Actions

A review of the billing department processes will take place to ensure proper procedures are being followed. In addition, a review of procedures will take place along with necessary corrections to ensure net patient revenues and related accounts receivables are recorded on a timely basis.

Section III – Federal Award Findings and Questioned Costs

None noted

WESTBROOK HEALTH SERVICES, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2010

09-1 SUPERVISORY REVIEW AND APPROVAL

Condition

A key component of an effective system of internal control is the timely and documented supervisory review and approval of all significant account reconciliations and journal entries prepared by staff level employees, which support the amounts represented in the financial statements.

Recommendation

The auditor recommended bank reconciliations and journal entries prepared by the staff accountant be reviewed by the Chief Financial Officer in a timely manner.

Current Status

No similar finding was noted in the 2010 audit.

09-2 ACCOUNT RECONCILIATIONS

Condition

Timely reconciliations of accounts is an integral part of internal control and is crucial for the timely detection of accounting errors, bank errors, and unauthorized transactions.

Recommendation

The auditor recommended that management implement policies and procedures to ensure that account reconciliations are being performed on a monthly basis. The reconciliations should be reviewed by someone other than the preparer and the review should be documented. In addition, we recommend that management implement procedures to ensure that revenue is recognized for all services performed and contractual adjustments are matched to the period that the revenue is recognized.

Current Status

No similar finding was noted in the 2010 audit.

09-3 FIXED ASSETS

Condition

The Organization does not have effective procedures establish to ensure that all transactions were properly recorded in accordance with accounting principles generally accepted in the United States of America (GAAP).

WESTBROOK HEALTH SERVICES, INC
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
(Continued)

Year Ended June 30, 2010

09-3 FIXED ASSETS (Continued)

Recommendation

The auditor recommended that procedures be developed to ensure that all transactions are recorded in accordance with GAAP.

Current Status

No similar finding was noted in the 2010 audit

09-4 FINANCIAL REPORTING

Condition

Internal control over financial reporting is a process designed by, or under the supervision of the Organization's management and those charged with governance to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements and other reports for the external purposes in accordance with GAAP. It also includes the effectiveness of levels of supervisory review and approval.

Recommendation

The auditor recommended that management develop procedures to ensure that all significant journal entries posted to the general ledger system have been reviewed and approved by someone with the requisite knowledge of the Organization's operations and the accounting principles used in preparing their financial statements. The auditor also recommended that policies be implemented to ensure that accurate monthly financial statements be available to the Board of Directors in a timely matter.

Current Status

No similar finding was noted in the 2010 audit

February 14, 2011

To the Management and Board of Directors
Westbrook Health Services, Inc.
Parkersburg, West Virginia

In planning and performing our audit of the financial statements of Westbrook Health Services, Inc (the Organization) as of and for the year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the organizations internal control.

However, during our audit we became aware of a matter that is required to be communicated under *Government Auditing Standards*. We have reported on the Organization's internal control in a separate report dated February 14, 2011. This letter does not affect our report dated February 14, 2011, on the financial statements of the Organization.

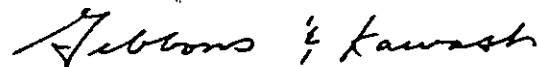
IMMATERIAL INSTANCE OF NONCOMPLIANCE

We are required by *Government Auditing Standards* to report immaterial instances of noncompliance to management. We noted one instance in which the employer's share of group insurance cost for one employee for one pay period was not properly allocated to the appropriate reporting unit. We recommend that management ensure that internal control policies regarding supervisory review and approval are operating as designed to ensure that expenses are allocated to the appropriate reporting units.

This report is intended solely for the information and use of the Board of Directors and management, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

DHHR - Finance



FEB 23 2011

Date Received

Indirect Cost Rate Proposal

Westbrook  Health Services

Year Ending June 30, 2011

DHHR - Finance

FEB 23 2011

Date Received

**Gibbons
& Kawash**
Certified Public Accountants

Indirect Cost Rate Proposal
WESTBROOK HEALTH SERVICES, INC.
Year Ending June 30, 2011

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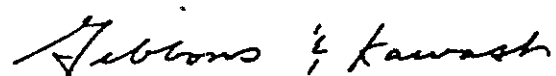
INDEPENDENT ACCOUNTANT'S REPORT

To the Management and Board
of Directors
Westbrook Health Services, Inc.
Parkersburg, West Virginia

We have examined the accompanying Statement of Indirect Cost Rate Proposal for Westbrook Health Services, Inc. (the Organization) for the year ending June 30, 2011, and the Statement of Direct and Indirect Costs for the year ended June 30, 2010. The Organization's management is responsible for the statements referred to above. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the statements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the statements referred to above present fairly, in all material respects, the proposed indirect cost rate for the year ending June 30, 2011, and the direct and indirect costs for the year ended June 30, 2010, for Westbrook Health Services, Inc., in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-122, *Cost Principles for Nonprofit Organizations*



February 14, 2011

DHHR - Finance

FEB 23 2011

Date Received

WESTBROOK HEALTH SERVICES, INC.
STATEMENT OF INDIRECT COST RATE PROPOSAL
For the Year Ended June 30, 2011

Indirect costs incurred for the year ended June 30, 2010	<u>\$ 2,719,293</u>
Direct costs incurred for the year ended June 30, 2010	<u>\$ 13,396,098</u>
Proposed indirect cost rate for the year ending June 30, 2011	<u>20.30%</u>

The accompanying notes are an integral part of this statement.

WESTBROOK HEALTH SERVICES, INC.

STATEMENT OF DIRECT AND INDIRECT COSTS

For the Year Ended June 30, 2010

	<u>Total Costs</u>	<u>Direct Costs</u>	<u>Unallowable Costs</u>	<u>Indirect Costs</u>
Salaries and wages	\$ 9,822,451	\$ 8,511,332	\$ -	\$ 1,311,119
Fringe benefits and payroll taxes	1,919,038	1,529,897	-	389,141
Interest	57,632	1,073	56,559	-
General and program supplies	218,795	108,693	-	110,102
Computer supplies and maintenance	99,633	53,275	-	46,358
Dues, subscriptions, and books	20,985	213	-	20,772
Insurance	169,041	2,316	-	166,725
Medicaid and other taxes	388,370	382,347	-	6,023
Housekeeping	75,092	44,115	-	30,977
Repairs and maintenance	80,285	53,230	-	27,055
Utilities	197,055	140,618	-	56,437
Telephone	175,672	95,718	-	79,954
Travel	444,758	420,106	-	24,652
Rental	230,084	198,253	-	31,831
Food products	130,014	127,126	-	2,888
Postage	27,960	9,572	-	18,388
Contracted services and professional fees	1,688,775	1,477,609	16,864	194,302
Advertising and recruitment	35,988	27,857	8,131	-
Depreciation	360,849	161,564	-	199,285
Miscellaneous	57,159	51,184	2,691	3,284
	<u>\$ 16,199,636</u>	<u>\$ 13,396,098</u>	<u>\$ 84,245</u>	<u>\$ 2,719,293</u>

The accompanying notes are an integral part of this statement.

WESTBROOK HEALTH SERVICES, INC.

NOTES TO STATEMENTS OF INDIRECT COST RATE PROPOSAL
AND DIRECT AND INDIRECT COSTS**1 - BASIS OF PREPARATION**

The accompanying Statements of Indirect Cost Rate Proposal and Direct and Indirect Costs for Westbrook Health Services, Inc. (the Organization) have been prepared in accordance with the requirements of Office of Management and Budget Circular A-122, *Cost Principles for Nonprofit Organizations*.

The Statement of Direct and Indirect Costs includes all expenses incurred by the Organization during the year ended June 30, 2010, on the accrual basis of accounting. These expenses are presented in the total costs columns and are adjusted for direct costs and unallowable costs to determine allowable indirect costs.

Direct costs

Direct costs include salaries, benefits, contracted services, and expenses directly charged to programs.

Indirect costs

Indirect costs are accumulated in the administrative, personnel, management information services, and finance departments.

Unallowable costs

Unallowable costs included in total costs include advertising, interest, and other expenses deemed unallowable by management.

Salaries and wages

Each clinical or service oriented employee is identified directly with a grant or program and salaries of these employees are considered direct costs.

Salaries for all employees assigned to the departments listed above are charged to indirect costs. Vacation leave, sick leave, and holiday leave are considered a part of salary costs. The Organization records these costs in the same manner as salaries are recorded. Vacation and holiday pay earned but not used during the fiscal year are recorded as costs in the period earned.

Fringe benefits and payroll taxes

The Organization contributes to the following fringe benefits for its employees: unemployment insurance, workers' compensation, FICA, health insurance, and a retirement plan. Benefits are individually charged by employee and expensed directly or indirectly in the same manner as their salaries.

WESTBROOK HEALTH SERVICES, INC.

NOTES TO STATEMENTS OF INDIRECT COST RATE PROPOSAL
AND DIRECT AND INDIRECT COSTS
(Continued)**1 - BASIS OF PREPARATION (Continued)**Travel

Travel is charged to the applicable reporting unit based on travel expense reports submitted by each employee.

General and program supplies

Supplies expenses are allocated to individual programs based upon purchase orders originated by each program.

Utilities

Utilities are allocated to individual programs based upon costs incurred by locations and space occupied by individual programs.

Depreciation expense

The Organization recovers the cost of capital items purchased by using the straight-line depreciation method. The cost is allocated to individual programs based on the overhead cost allocation plan.

Overhead cost allocation plan

Total indirect costs are allocated to all programs based on each program's percentage of total direct expense.

2 - ALLOCATION METHOD

The direct allocation method has been used in preparation of the Statement of Indirect Cost Rate Proposal.

WESTBROOK HEALTH SERVICES, INC

CERTIFICATE OF INDIRECT COSTS

This is to certify that I have reviewed the indirect cost rate proposal submitted herewith and to the best of my knowledge and belief:

- (1) All costs included in this proposal to establish billing for final indirect costs rates for the year ending June 30, 2011, are allowable in accordance with the requirements of the Federal awards to which they apply and OMB Circular A-122, *Cost Principles for Nonprofit Organizations*. Unallowable costs have been adjusted for in allocating costs as indicated in the cost allocation plan.
- (2) All costs included in this proposal are properly allocable to Federal awards on the basis of a beneficial or causal relationship between the expenses incurred and the agreements to which they are allocated in accordance with applicable requirements. Further, the same costs that have been treated as indirect costs have not been claimed as direct costs. Similar types of costs have been accounted for consistently and the Federal Government will be notified of any accounting changes that would affect the predetermined rate.

I declare that the foregoing is true and correct.

Westbrook Health Services, Inc.
Governmental Unit

Signature

Name of Official

Title

Date of Execution