

**WHEELING HEALTH RIGHT, INC.**

**WHEELING, WEST VIRGINIA**

**AUDIT REPORT**

**JUNE 30, 2012**

DHHR - Finance

MAR 18 2013

*Date Received*

**WHEELING HEALTH RIGHT, INC.  
JUNE 30, 2012**

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**SNODGRASS**

CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Wheeling Health Right, Inc.  
Wheeling, West Virginia

We have audited the accompanying statement of financial position of Wheeling Health Right, Inc. (the "Organization") (a nonprofit organization) as of June 30, 2012, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 audit.

Except as discussed in the following paragraph, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. 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 audit provides a reasonable basis for our opinion.

The Organization's pharmaceutical inventory is priced on the basis of estimated and average wholesale costs provided by the Organization's pharmacy software vendor. It was not practicable to extend our auditing procedures sufficiently to satisfy ourselves as to the fairness of the prices used in the determination of this inventory, stated at \$427,997, in the accompanying financial statements as of June 30, 2012. The pricing used for pharmaceutical inventory is also used to determine the valuation of certain deferred revenue amounts, in the accompanying financial statements. The balance of deferred revenue related to inventory was \$427,997 at June 30, 2012.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to apply adequate procedures regarding the pricing of the pharmaceutical inventory, the financial statements referred to above present fairly, in all material respects, the financial position of Wheeling Health Right, Inc. as of June 30, 2012, and the changes in its net assets and its cash flows for the year 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 a report dated January 15, 2013, on our consideration of Wheeling Health Right, Inc.'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 Wheeling Health Right, Inc taken as a whole. The accompanying Schedule of Federal Awards and West Virginia Grant Revenue and Expenditures is presented for purposes of additional analysis as required by terms of the Organization's federal and state grant awards and is not a required part of the basic 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.

*J R Snodgrass Ac*

Wheeling, West Virginia  
January 15, 2013

DHHR - Finance

MAR 18 2013

Date Received

**Wheeling Health Right, Inc.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2012**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 113,013
Grants and accounts receivable	96,163
Unconditional promises to give	2,075
Inventory	427,997
Prepaid expenses	1,399
Total current assets	640,647

**PROPERTY, PLANT, AND EQUIPMENT, AT COST**

Buildings and improvements	1,351,938
Equipment	200,192
Software	9,588
Accumulated depreciation	(352,962)
Net property, plant, and equipment	1,208,756

**OTHER ASSETS**

Investment securities	1,010,437
Beneficial interest in perpetual trust	1,013,071
Loan origination fees	10,834
Total other assets	2,034,342

**TOTAL ASSETS**

**\$ 3,883,745**

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable	\$ 84,590
Accrued payroll, payroll taxes, and withholdings	20,718
Accrued interest payable	7,274
Capital lease obligation	12,720
Note payable	35,006
Deferred revenue	477,997
Total current liabilities	638,305

**LONG-TERM LIABILITIES**

Capital lease obligation, net of current	32,708
Note payable, net of current	1,130,654
Total long-term liabilities	1,163,362
Total liabilities	1,801,667

**NET ASSETS**

Unrestricted	391,346
Temporarily restricted	677,661
Permanently restricted	1,013,071
Total net assets	2,082,078

**TOTAL LIABILITIES AND NET ASSETS**

**\$ 3,883,745**

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

**Wheeling Health Right, Inc.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>				
Federal awards and State of West Virginia grants and contracts	\$ 1,023,229	\$ -	\$ -	\$ 1,023,229
Other grants and contracts	96,378	-	-	96,378
Contributions and United Way	180,074	30,055	-	210,129
Fees	96,166	-	-	96,166
Donated pharmaceuticals	862,044	-	-	862,044
Donated services and facilities	7,795,071	-	-	7,795,071
Fundraising and special events revenue	82,714	-	-	82,714
Investment income	15,453	48,196	-	63,649
Gain on sale of securities	3,767	-	-	3,767
Unrealized gain (loss) on securities	8,537	-	(52,155)	(43,618)
Other income	39,576	-	-	39,576
Net assets released from restrictions	118,126	(118,126)	-	-
Total support and revenue	<u>10,321,135</u>	<u>(39,875)</u>	<u>(52,155)</u>	<u>10,229,105</u>
<b>EXPENSES</b>				
Program services	10,071,321	-	-	10,071,321
Management and general	178,183	-	-	178,183
Fundraising and special events	8,804	-	-	8,804
Total expenses	<u>10,258,308</u>	<u>-</u>	<u>-</u>	<u>10,258,308</u>
Changes in net assets	62,827	(39,875)	(52,155)	(29,203)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>328,519</u>	<u>717,536</u>	<u>1,065,226</u>	<u>2,111,281</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 391,346</u>	<u>\$ 677,661</u>	<u>\$ 1,013,071</u>	<u>\$ 2,082,078</u>

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

**Wheeling Health Right, Inc.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Program Services	Management and General	Fundraising	Total
Salaries, wages, and contract services	\$ 884,075	\$ 79,185	\$ -	\$ 963,260
Payroll taxes	74,059	7,161	-	81,220
Health insurance and other benefits	65,744	6,357	-	72,101
Retirement plan	25,477	2,463	-	27,940
Utilities and telephone	31,809	4,020	-	35,829
Insurance	23,248	2,938	-	26,186
Facilities costs and maintenance	14,190	1,407	-	15,597
Equipment costs and maintenance	8,808	1,798	-	10,606
Office and housekeeping supplies	7,841	1,958	-	9,799
Postage and printing	6,019	1,505	-	7,524
Travel	7,192	2,063	-	9,255
Professional fees	-	21,708	-	21,708
Dues and subscriptions	-	8,292	-	8,292
Medical supplies and equipment	23,879	-	-	23,879
Pharmaceuticals	939,623	-	-	939,623
Donated facilities and services	7,795,071	-	-	7,795,071
Dental services expense	37,075	-	-	37,075
Software support and fees	14,536	-	-	14,536
Special events	-	-	8,804	8,804
Miscellaneous	5,241	19,361	-	24,602
Interest	48,854	7,438	-	56,292
Depreciation and amortization	58,580	10,529	-	69,109
<b>Total</b>	<b>\$ 10,071,321</b>	<b>\$ 178,183</b>	<b>\$ 8,804</b>	<b>\$ 10,258,308</b>

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

**Wheeling Health Right, Inc.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ (29,203)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:	
Depreciation	68,578
Amortization	531
Gain on sale of investments	(3,767)
Change in market value of securities	43,618
Imputed interest on the capital lease	1,262
Changes in assets and liabilities:	
Grant and accounts receivable	9,840
Unconditional promises to give	650
Prepaid expenses	466
Inventory	2,221,775
Accounts payable	22,040
Accrued payroll and related benefits	(29,255)
Deferred revenue	(2,171,775)
Net cash provided by operating activities	134,760

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of securities	(60,069)
Proceeds from sale of securities	15,921
Purchase of fixed assets, net	(6,999)
Net cash used in investing activities	(51,147)

**CASH FLOWS FROM FINANCING ACTIVITIES**

Principal payments on notes and leases	(43,638)
Net cash used in financing activities	(43,638)
Net increase in cash and cash equivalents	39,975

**CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR**

73,038

**CASH AND CASH EQUIVALENTS, END OF YEAR**

\$ 113,013

Supplemental disclosures of cash flows information:

Cash paid for interest	\$ 56,292
Noncash donations of supplies and services	\$ 8,657,115

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



**Wheeling Health Right, Inc.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

Nature of Activities

The mission of Wheeling Health Right, Inc. (the "Organization") is to provide charitable, free medical care and pharmaceuticals to residents who fall below federal poverty guidelines and live in Ohio, Marshall, Wetzel, and southern Brooke Counties in West Virginia and Belmont County in Ohio. A majority of the Organization's funding is through state contracts and grants, contributions, and donated services and pharmaceuticals.

Basis of Accounting

The accompanying financial statements of Wheeling Health Right, Inc. are presented in accordance with the accrual basis of accounting, whereby, revenue is recognized when earned and expenses are recognized when incurred.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification (the "Codification"). As required by the *Non-Profit Entities* Topic of the Codification, *Financial Statements of Not-for-Profit Organizations*, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

*Unrestricted net assets* – Net assets representing unrestricted resources available to support the Organization's operations and temporarily restricted resources that become available for use in the year given by satisfying donor-imposed time or purpose restrictions.

*Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time. When a donor-imposed restriction expires due to accomplishing the stipulated purpose, or through passage of time, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

*Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization, typically with earned investment income used for donor-designated purposes.

Contributions

In accordance with the Financial Accounting Standards Board Accounting Standards Codification, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of the donor restrictions.

Contributions of donated noncash assets are recorded at their fair values in the period received. These assets primarily consist of pharmaceuticals. Contributions of donated services that create or enhance nonfinancial assets, or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

**Wheeling Health Right, Inc.**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

Investments

Based upon guidance set forth in the Financial Accounting Standards Board Accounting Standards Codification, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. It is at least reasonably possible that a change in the fair value estimate will occur in the near term. Unrealized gains and losses are included in the statement of activities.

Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost. Major renewals and betterments which extend the useful life of an asset are capitalized; routine maintenance and repairs are expensed as incurred.

Upon sale or retirement of these assets, the asset cost and related accumulated depreciation are removed from the accounts, and any related gain or loss is reflected in income.

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows: buildings and improvements - 40 years; furniture and equipment - 3 to 10 years; software - 3 years. Depreciation charged to operations was \$68,578 for the year ended June 30, 2012.

Inventories

Most medical supplies and pharmacy items used by the Organization are contributed by donors. The Organization's policy is to record any unused supplies and pharmaceuticals on hand at the report date as an asset on the statement of financial position at the lower of cost or contributed value, or market. Values are provided by the donors and the Organization's pharmacy software vendor. During the fiscal year ended June 30, 2012, approximately \$862,044 in pharmaceuticals was donated. As of June 30, 2012, the inventory on hand consisted of approximately \$427,997 in medical supplies and pharmacy items.

Long-term Liabilities

Long-term debt and other long-term liabilities are reported as liabilities on the Organization's balance sheet. Loan origination fees are reported under 'Other Assets' and are amortized over the term of the related debt. Amortization of loan fees charged to operations was \$531 for the year ended June 30, 2012.

Income Taxes

Wheeling Health Right, Inc. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except for taxes on unrelated business income. Wheeling Health Right, Inc. had no unrelated business income for the year ended June 30, 2012. Therefore, no provision has been made for federal income taxes.

**Wheeling Health Right, Inc.**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

Wheeling Health Right, Inc. has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Organization believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Organization's financial condition, results of activities, or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals, for interest and penalties for uncertain income tax positions at June 30, 2012.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for fiscal years prior to 2010.

Estimates

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

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of 3 months or less to be cash equivalents.

**NOTE 2 – RETIREMENT PLAN**

The Organization has established a retirement plan for eligible employees under a tax sheltered annuity arrangement, or 403(b) Thrift Plan. To be eligible for employer-based contributions and participate in the plan, employees must be aged 21 or older with at least one year of service completing 1,000 hours of service. Employees are vested upon completion of 3 years of vesting service. Employer-based contributions will be made to all eligible employees meeting the age and service requirements, totaling 5 percent of the employee's compensation received during the plan year (August 1 to July 31), while the employee satisfied the participation requirements for the employer-based contributions, regardless of whether the employee has made salary reduction contributions to the plan, or is an employee on the accounting date of the plan year. During the fiscal year ending June 30, 2012, Wheeling Health Right, Inc.'s expenses under the above agreement totaled \$27,940.

**Wheeling Health Right, Inc.**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE 3 - DONATED SUPPLIES, FACILITIES, AND SERVICES**

Wheeling Health Right, Inc., in an attempt to better reflect support received from local physicians and pharmaceutical companies, as well as the amount of medicines distributed to patients, assigns an estimated value to the donated drugs and pharmaceutical supplies received based on current values provided by pharmaceutical suppliers and through their inventory valuation software pricing guidelines and confirms the amount of donated services provided by the donors on behalf of Wheeling Health Right, Inc.'s clients. Donated pharmaceuticals totaled \$862,044.

The amount of donated services and facilities for the year ended June 30, 2012, included in the financial statements and corresponding expenditures are as follows:

Wheeling Hospital, Inc. and affiliates*	\$ 3,468,410
Ohio Valley Health Services & Education Corporation (including (Ohio Valley Medical Center & East Ohio Regional Hospital)	2,471,957
Reynolds Memorial Hospital	912,178
Wetzel County Hospital	526,005
Sistersville General Hospital	116,508
Northwood Health Systems	21,565
Doctors' offices and other clinic visits	<u>278,448</u>
 Total	 <u>\$ 7,795,071</u>

\* This amount includes Belmont Community Hospital.

**NOTE 4 - INVESTMENT SECURITIES**

In order to honor the wishes of the donor to provide funds for future operational utilization, the Board approved the establishment of the Marilyn Weidle Trust and restricted access to the trust assets and income earned on these assets for a period of 5 years. The 5 year requirement has been met, and the Organization is permitted to use only the income from the Trust to support its operations. As detailed below, the funds are held in various investments as of June 30, 2012. Income from the investments is reported as unrestricted revenue in the statement of activities. Income from the Trust is also used to cover investment fees.

At June 30, 2012, investments held in the Trust Fund, at fair value, were comprised of the following:

WesMark Growth Fund	\$ 312,193
WesMark Government Bond Fund	199,631
WesMark Balanced Fund	180,430
WesMark Small Company Growth Fund	53,170
Federated Prime Obligations Fund and Cash	<u>7,633</u>
 Total Trust Fund investments	 <u>\$ 753,057</u>

**Wheeling Health Right, Inc.**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE 4 - INVESTMENT SECURITIES (CONTINUED)**

The following summarizes unrealized gains and losses of the investments:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Balance June 30, 2012	\$ 685,748	\$ 753,057	\$ 67,309

Investment fees for the year ending June 30, 2012, amounted to \$7,754.

The Organization also maintains investments in a separate WesMark Government Bond Fund. The balance in the account at June 30, 2012, was \$257,380 and is comprised of temporarily restricted and nonrestricted funds. Approximately \$224,378 of these funds includes portions of Meagel Trust distributions which are temporarily restricted under the terms of the Trust. Interest from the distributions is available for Organization use and is transferred to the unrestricted Government Bond Funds. Also included in the unrestricted Government Bond Funds are income distributions from the Weidle Trust. Unrestricted amounts totaled \$33,002 at June 30, 2012.

The balance of these investments totaling \$1,010,437 at June 30, 2012, is included in other assets on the statement of financial position.

**NOTE 5 - SPLIT-INTEREST AGREEMENTS**

The Organization has been named as one of many beneficiaries of a perpetual trust established by a donor at a local financial institution. The basis for the Organization's interest in the perpetual trust is one twentieth (1/20) of the fair market value of the assets of the respective trust. The Organization is entitled only to the income generated by these assets. The beneficial interest is recorded as permanently restricted as indicated in Note 6. An unrealized loss of \$52,155 is recorded in the statement of activities as of June 30, 2012, to reflect the Organization's share of the decrease in market value of the respective trust. Prior to fiscal year 2008, restricted income distributions from the Meagel Trust were invested in the same account with the Weidle Trust funds. During fiscal year 2008, a new account was opened to account for the restricted distributions from this Trust. As described in Note 4, the balance in that account was approximately \$224,378 at June 30, 2012.

**Wheeling Health Right, Inc.**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE 6 - RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets at June 30, 2012, are available for the following:

Time restrictions (assets to be held for future use-Meagel distributions)	\$ 608,505
Purpose restrictions (building/equipment needs, health care restrictions, etc.)	<u>69,156</u>
Total	<u>\$ 677,661</u>

Permanently restricted net assets at June 30, 2012, are available for the following:

Beneficial interest in perpetual trust	<u>\$1,013,071</u>
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**NOTE 7 - LINE OF CREDIT**

Wheeling Health Right, Inc. has an open line of credit in the amount of \$150,000 with a local financial institution. This line of credit is used periodically to supplement cash flows of the Organization while awaiting grant reimbursement. As of June 30, 2012, there was no outstanding balance due on the line of credit. The interest rate on the line of credit remains at 4.25 percent. The line of credit is secured by accounts receivable, equipment, and certain unrestricted trust assets of the Organization. The Organization paid \$684 in interest on the line of credit in fiscal year 2012.

**NOTE 8 - CONTINGENCIES**

Wheeling Health Right, Inc. receives a substantial amount of its support in the form of donated pharmaceuticals and services. A significant reduction in contributions from a major benefactor could have an adverse effect on the Organization's ability to achieve its mission. Wheeling Health Right, Inc. also receives much of its cash support from the West Virginia Department of Health and Human Resources in the form of grants and contracts. A significant reduction in this support would have a major adverse effect on the operations of the Organization.

**NOTE 9 - NOTE PAYABLE**

Wheeling Health Right, Inc. financed the acquisition and renovation of its building located at 29<sup>th</sup> Street in Wheeling through a 1.3 million dollar loan at WesBanco Bank. Principal and interest payments of \$22,079 are due quarterly with a final maturity of November 15, 2032. The current annual interest rate of 4.625 percent is in effect until February 15, 2015. The rate is subject to change at that time based on the 5-year U. S. Treasury rate plus 2.25 percent.

The building and renovations and the trust account discussed in Note 4 are pledged as collateral on the loan. The outstanding balance on the loan at June 30, 2012, was \$1,165,660.

**Wheeling Health Right, Inc.**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE 9 - NOTE PAYABLE (CONTINUED)**

Scheduled principal payments on this debt are as follows for the years ending June 30:

2013	\$ 35,006
2014	36,653
2015	38,378
2016	40,184
2017	42,075
Thereafter	<u>973,364</u>
Total	<u>\$ 1,165,660</u>

**NOTE 10 - FAIR VALUE MEASUREMENTS**

Wheeling Health Right, Inc. follows the Codification, *Fair Value Measurements*, which defines fair value as 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 and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

*Level I:* Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. The type of investments included in Level 1 includes listed equities and derivatives.

*Level II:* Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly; fair value is determined through the use of models or other valuation methodologies. Investments generally included in this category are corporate bonds and loans, less liquid and restricted equity securities, and over-the-counter derivatives. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

*Level III:* Inputs are unobservable for the asset or liability and include situations where there is limited market activity for the asset or liability. The inputs for determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation. Investments that are included in this category generally include equity and debt positions in private companies and general limited interests in private investment funds, real estate funds, and debt funds and distressed debt.

**Wheeling Health Right, Inc.**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE 10 - FAIR VALUE MEASUREMENTS (CONTINUED)**

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. Wheeling Health Right, Inc. classified investments in publicly traded securities, including split-interest agreement assets, as Level 1 instruments because they comprise assets traded on public exchanges with readily determinable fair values and observable market based inputs.

The following table presents assets reported on the financial statements at their fair value as of June 30, 2012, by level within the fair value hierarchy.

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Assets:				
Publicly traded securities	\$ 1,010,437	\$ -	\$ -	\$ 1,010,437
Beneficial interest in perpetual Trust (split interest agreement)	<u>1,013,071</u>	<u>-</u>	<u>-</u>	<u>1,013,071</u>
Total	<u>\$ 2,023,508</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,023,508</u>

**NOTE 11 – CAPITAL LEASE**

Wheeling Health Right, Inc. acquired three copiers under a capital lease expiring June 30, 2016. The asset and liability under a capital lease are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The asset is depreciated over the lower of the related lease term or its estimated productive life. Depreciation on the asset under the capital lease for fiscal year 2012 was \$10,903. The following is a summary of property held under capital leases:

Equipment	\$ 54,514
Accumulated depreciation	<u>(10,903)</u>
Net	<u>\$ 43,611</u>



**Wheeling Health Right, Inc.**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE 11 - CAPITAL LEASE (CONTINUED)**

Minimum future lease payments under capital leases as of June 30, 2012, are as follows:

<u>Year Ended</u>	<u>Amount</u>
2013	\$ 14,490
2014	12,420
2015	12,420
2016	<u>12,420</u>
Total minimum lease payments	51,750
Amount representing interest	<u>(6,322)</u>
Present value of net minimum lease payment	<u>\$ 45,428</u>

The implicit interest rate on the capitalized lease is 5.25 percent. Interest expense on the lease for the fiscal year ended June 30, 2012, was \$1,264.

**NOTE 12 - DEFERRED REVENUE**

Deferred revenue balances include \$50,000 in grant funds received in advance and not expended as of June 30, 2012, and \$427,997 in pharmaceutical inventory, including donated amounts on hand, and not dispensed as of June 30, 2012. Total deferred revenue as of June 30, 2012, was \$477,997.

**NOTE 13 - INSURANCE PROCEEDS**

Wheeling Health Right, Inc. filed an insurance claim for building and contents damage related to a water line break that occurred in March 2012. The proceeds from the claim amounted to \$51,032 and were received in September 2012. This amount is included in accounts receivable balances at June 30, 2012. The amount of proceeds used to offset fiscal year 2012 expenses to restore the building and replace pharmaceuticals amounted to \$17,536. In addition, approximately \$15,468 in damages was paid directly to a vendor by the insurance company. Wheeling Health Right, Inc. retains a balance of \$33,496 to replace necessary equipment and other assets going forward.

**NOTE 14 - SUBSEQUENT EVENTS**

Wheeling Health Right, Inc. assessed events occurring subsequent to June 30, 2012, through January 15, 2013, for potential recognition and disclosure in the financial statements. No events have occurred that would require adjustment to, or disclosure in, the financial statements which were available to be issued on January 15, 2013.

**Wheeling Health Right, Inc.**  
**SCHEDULE OF FEDERAL AWARDS AND STATE OF WEST VIRGINIA**  
**GRANT REVENUE AND EXPENDITURES**  
**FOR FISCAL YEAR ENDED JUNE 30, 2012**

<u>Grantor/Project Title</u>	<u>Award/Grant Number</u>	<u>Revenue</u>	<u>Expenditures</u>
<b>FEDERAL AWARDS</b>			
<b>U. S. Department of Housing and Urban Development, passed through the City of Wheeling</b>			
Community Development Block Grant	14.218	\$ 19,000	\$ 19,000
<b>U. S. Department of Health and Human Services passed through Valley Health Systems, Inc.</b>			
Community Health Centers: Homeless Health Services Program - (Grant #03-H-0021321-01)	93.224	<u>44,550</u>	<u>44,550</u>
<b>Total federal awards</b>		<u>63,550</u>	<u>63,550</u>
<b>STATE OF WEST VIRGINIA AWARDS</b>			
<b>West Virginia Department of Health and Human Resources</b>			
Family Planning Program	FP12 2093	11,560	11,560
Wisewoman Grant	BC12 1098	6,340	6,340
Breast and Cervical Cancer Screening Program	BC12 1098	31,731	31,731
Health Right/Free Clinic	G120293	867,298	867,298
Primary Care/Mortgage Finance	G120320	<u>42,750</u>	<u>42,750</u>
<b>Total state awards</b>		<u>959,679</u>	<u>959,679</u>
<b>TOTAL FEDERAL AND STATE AWARDS</b>		<u>\$ 1,023,229</u>	<u>\$ 1,023,229</u>



**SNODGRASS**

CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

**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**

Board of Directors  
Wheeling Health Right, Inc  
Wheeling, West Virginia

We have audited the financial statements of Wheeling Health Right, Inc. as of and for the year ended June 30, 2012, and have issued our report thereon dated January 15, 2013. Our report was qualified in regard to a scope limitation for inventory pricing. 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

Management of Wheeling Health Right, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Wheeling Health Right, Inc.'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 Wheeling Health Right, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Wheeling Health Right, Inc.'s internal control over financial reporting.

*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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Responses as 2012-01 that we consider to be a significant deficiency in internal control over financial reporting. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wheeling Health Right, Inc.'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of Wheeling Health Right, Inc. in a separate letter dated January 15, 2013.

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

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



Wheeling, West Virginia  
January 15, 2013

**DHHR - Finance**

MAR 18 2013

Date Received

**WHEELING HEALTH RIGHT, INC.**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**JUNE 30, 2012**

**Finding 2012-01 Inventory Pricing and Valuation**

**Criteria:** Procedures over the valuation of inventory, including inventory pricing methodologies, should be in place for accurate and timely accounting and reporting of pharmaceutical inventory balances.

**Condition:** During the current fiscal year, support for inventory pricing methodology for year-end inventory balances was not available for testing during the audit. Controls and processes over the accounting for year-end inventory balances were not sufficient to identify the issue in a timelier manner.

**Cause:** The oversight of inventory balances and vendor pricing is not reviewed on a regular basis by the Fiscal Department. Detail analysis should be performed at least monthly to ensure that inventory balances and valuations appear reasonable. Verification of year-end inventory balances and valuation methods should be part of the year-end closeout process within the Fiscal Department.

**Effect:** The audit scope was limited in regard to the testing of inventory pricing. A qualified opinion was issued by the auditors as a result of this scope limitation.

**Recommendation:** Going forward, procedures should be designed to ensure that inventory records from the software vendor are reviewed on at least a monthly basis by the Fiscal Department to ensure that pricing of inventory items appear proper and that inventory balances are reasonable. Any discrepancies noted in the vendor reports should be investigated immediately, reported, and resolved in a timely manner.

***Management's Response***

***The Finance Director will request a monthly pricing report from the Pharmacist and review the pricing of inventory for reasonableness. Any discrepancies noted will be reported to the Executive Director and the Pharmacist and will be investigated and resolved in a timely manner.***

**WHEELING HEALTH RIGHT, INC.  
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES  
JUNE 30, 2012**

**Finding 2009-01 - Accounting for Pharmaceuticals and Medical Supplies**

**Condition:** There is a lack of controls over the valuation of donated pharmaceuticals.

Although some improvements have been made in the past several audit periods, refer to Finding 2012-01 regarding the current year findings related to year-end balances of pharmaceutical inventory, which includes donated pharmaceuticals.



# SNODGRASS

CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

January 15, 2013

Ms. Kathie Brown, Executive Director  
Wheeling Health Right, Inc.  
61 - 29<sup>th</sup> Street  
Wheeling, WV 26003

In connection with our audit of the financial statements of Wheeling Health Right, Inc. ("WHR") as of and for the year ended June 30, 2012, we identified certain deficiencies in internal control over financial reporting (control 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 and correct misstatements on a timely basis. *A deficiency in design* exists when a control necessary to meet the control objective is missing, or when an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. *A deficiency in operation* exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

*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 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.

Following are descriptions of the identified control deficiencies that we determined did not constitute significant deficiencies or material weaknesses:

### QuickBooks

Based on our overview of the financial reporting area and discussions with management, WHR is in the process of obtaining additional QuickBooks training. We recommend that this training include an overview of the accounts receivable and accounts payable reporting available through QuickBooks. For example, the current QuickBooks Accounts Receivable Aging Report is not accurate as it contains items that have already cleared. To compensate for the system report, the Finance Director is maintaining an Excel spreadsheet which was used to identify the items comprising accounts receivable at June 30, 2012. Use of the system report would result in a more efficient process for monitoring the aging of accounts receivable items.

We also noted that approximately \$2,600 in payments due to service providers went undetected as due to those providers. An additional \$10,000 in payments was caught and properly reflected in accounts payable, but were not processed for payment until fiscal year 2013 (expenses related to fy 2011). While amounts were properly reflected in the general ledger, controls were not in place to ensure that accounts payable items were being paid in a timely manner and clearing of old



Ms. Kathie Brown, Executive Director  
Wheeling Health Right, Inc.  
Page 2  
January 15, 2013

outstanding items was being made. The use of a system-produced aged accounts payable ledger would provide management with proper tools to monitor accounts payable items and ensure timely payments of amounts as determined by management. Reconciliations of general ledger balances to the Aged Accounts Payable Report at month end would also help management in monitoring outstanding payable amounts.

In addition to the Accounts Receivable and Accounts Payable areas, we also recommend training in the year-end closeout process. There was an instance where a check issued in a previous year had to be voided, and the entry was posted to a period that should have been closed. This adjustment then had to be corrected by the Finance Director. Other close-out items, such as accrued payroll adjustments, were not made. An accrual adjustment can be made based on actual payroll amounts, as they are known prior to the final closeout process. In addition, accrued interest on the mortgage should be adjusted to reflect the current amount due at year end. During the current audit process, the accrued payroll was understated by \$1,800 (an audit adjustment was made to correct this amount) and accrued interest was not adjusted from the prior year amount. The difference was approximately \$380, which is clearly immaterial. Some improvements in the close-out process were noted in the current year, but we recommend continued training and overview of this process.

The client should consider obtaining third-party assistance to ensure Quickbooks is properly set up and system reports are generating accurately. Use of system reports will help to facilitate a more efficient approach to monitoring several of the areas noted above. In addition, training should also be obtained regarding proper year-end closeout process. Again, management is aware of this issue and is making attempts to address it with the help of the Board Treasurer and through Quickbooks training. This should remain a priority for management.

#### Accounting for Restricted Donations

In the prior year, we noted that the Christmas Appeal letter/envelope included information for the donor to designate their contribution to be used for various activities at WHR, such as medical supplies, clinic services, etc., as well as by County. However, these restricted donations were not tracked to ensure that the donor's restrictions have been met. We had recommended the use of additional general ledger accounts, or on an Excel spreadsheet, to track donor restrictions. We had also recommended that WHR consider revising the wording on future appeals to indicate that the donations would be for general operations of WHR, which may relieve WHR of tracking restrictions on the donations.

Based on the current inquiries performed, the WHR has chosen to use the same envelopes for the Christmas Appeal until the supply is depleted in order to manage costs. Therefore, some donors are restricting donations for purpose or location, but these are not being formally tracked. Management indicated that the WHR spends far more in each County and/or category than is received from Christmas Appeal donations and that the WHR is respecting donors' requests. In addition, management noted that future envelopes will not contain such restrictions. This area should be closely monitored to ensure that donor restrictions are, in fact, being met.





Ms Kathie Brown, Executive Director  
Wheeling Health Right, Inc  
Page 3  
January 15, 2013

#### Handling Fee Donations

Minor discrepancies were noted regarding the collection of handling fee donations at the pharmacy. This was also noted in the prior audit. During our analytical procedures, we noted fluctuations that were outside of our expectations. While these amounts are not material in nature, we recommend continued due diligence by management to monitor the handling fee income being processed through the pharmacy. Management indicated that a new commercial grade register is being used in fiscal year 2013 and should provide a better accounting and monitoring tool. As noted, continued monitoring of this area is recommended through a monthly reasonableness test on the handling fee donations, surprise audits, and other analytical procedures.

#### Overview and Compliance with Contracts and Grants

During our review of requirements under various contracts and grants, we noted that a formal process does not appear to be in place to ensure that WHR is tracking these requirements. In discussions with management, there were several cases where management appeared to be aware of the requirements, but noted the requirement may have been waived by the grantor. There was no documentation to support the waiver. To ensure that WHR stays in compliance with the grant/contract, support should be obtained from the grantor or contractor if waivers to original award conditions are being made.

In addition, in a particular case where reports were due within a specific time frame, funding was lost because the report was not submitted timely. We encourage management to develop a process to ensure that both program and fiscal personnel review all grants and contracts and develop a Tickler Report or spreadsheet to monitor all requirements. This would include reporting deadlines, audit requirements, use of funds, etc. Based on our testing, we did not identify any material noncompliance at this time. However, attention to this area is warranted to prevent possible noncompliance that could have the potential to expose WHR to future loss of funding.

#### ***Additional Best Practices Recommendations:***

##### Fixed Assets

In the prior year, we had recommended that WHR consider establishing a dollar threshold for the capitalization of fixed assets and formally document this in WHR's Financial Policies and Procedures Manual. However, it appears this issue has not been addressed.

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

S. R. SNODGRASS, A.C.  
Certified Public Accountants

DHHR - Finance

MCP:dk

MAR 18 2013

Date Received



February 28, 2013

MANAGEMENT RESPONSE TO AUDIT OF FINANCIAL STATEMENTS OF  
WHEELING HEALTH RIGHT, INC. FOR YEAR ENDED JUNE 30, 2012:

Descriptions of other identified control deficiencies that did not constitute significant deficiencies or material weaknesses:

**Finding:**  
**QuickBooks**

Based on our overview of the financial reporting area and discussions with management, WHR is in the process of obtaining additional QuickBooks training. We recommend that this training include an overview of the accounts receivable and accounts payable reporting available through QuickBooks. For example, the current QuickBooks Accounts Receivable Aging Report is not accurate as it contains items that have already cleared. To compensate for the system report, the Finance Director is maintaining an Excel spreadsheet which was used to identify the items comprising accounts receivable at June 30, 2012. Use of the system report would result in a more efficient process for monitoring the aging of accounts receivable items.

We also noted that approximately \$2,600 in payments due to service providers went undetected as due to those providers. An additional \$10,000 in payments was caught and properly reflected in accounts payable, but were not processed for payment until fiscal year 2013 (expenses related to fy 2011). While amounts were properly reflected in the general ledger, controls were not in place to ensure that accounts payable items were being paid in a timely manner and clearing of old outstanding items was being made. The use of a system-produced aged accounts payable ledger would provide management with proper tools to monitor accounts payable items and ensure timely payments of amounts as determined by management. Reconciliations of general ledger balances to the Aged Accounts Payable Report at month end would also help management in monitoring outstanding payable amounts.

In addition to the Accounts Receivable and Accounts Payable areas, we also recommend training in the year-end closeout process. There was an instance where a check issued in a previous year had to be voided, and the entry was posted to a period that should have been closed. This adjustment then had to be

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MAR 18 2013

Date Received

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corrected by the Finance Director. Other close-out items, such as accrued payroll adjustments, were not made. An accrual adjustment can be made based on actual payroll amounts, as they are known prior to the final closeout process. In addition, accrued interest on the mortgage should be adjusted to reflect the current amount due at year end. During the current audit process, the accrued payroll was understated by \$1,800 (an audit adjustment was made to correct this amount) and accrued interest was not adjusted from the prior year amount. The difference was approximately \$380, which is clearly immaterial. Some improvements in the close-out process were noted in the current year, but we recommend continued training and overview of this process.

The client should consider obtaining third-party assistance to ensure Quickbooks is properly set up and system reports are generating accurately. Use of system reports will help to facilitate a more efficient approach to monitoring several of the areas noted above. In addition, training should also be obtained regarding proper year-end closeout process. Again, management is aware of this issue and is making attempts to address it with the help of the Board Treasurer and through Quickbooks training. This should remain a priority for management.

**Management Response**

Problems with the Quickbooks system appears to be in the way it was originally set up and short of deleting everything and starting all over again, would be the only solution to these exceptions. Accounts payable items are paid as funding is available to cover those items. Not all items can be paid in the same fiscal year. The Finance Director has already received training in the close-out process. The voided item in question had been discussed with the lead auditor prior to the entry being made.

Accrued payroll had been processed prior to audit but mistakenly for only one week instead of two.

**Finding:**

**Accounting for Restricted Donations**

In the prior year, we noted that the Christmas Appeal letter/envelope included information for the donor to designate their contribution to be used for various activities at WHR, such as medical supplies, clinic services, etc., as well as by County. However, these restricted donations were not tracked to ensure that the donor's restrictions have been met. We had recommended the use of additional general ledger accounts, or on an Excel spreadsheet, to track donor restrictions. We had also recommended that WHR consider revising the wording on future appeals to indicate that the donations would be for general operations of WHR, which may relieve WHR of tracking restrictions on the donations.

Based on the current inquiries performed, the WHR has chosen to use the same envelopes for the Christmas Appeal until the supply is depleted in order to manage costs. Therefore, some donors are restricting donations for purpose or location, but these are not being formally tracked. Management indicated that

the WHR spends far more in each County and/or category than is received from Christmas Appeal donations and that the WHR is respecting donors' requests. In addition, management noted that future envelopes will not contain such restrictions. This area should be closely monitored to ensure that donor restrictions are, in fact, being met.

**Management Response**

Wheeling Health Right, Inc's supply of the referenced envelopes is now depleted. Any large specific donations are monitored on a spreadsheet to ensure funds are used as designated.

**Finding:**

**Handling Fee Donations**

Minor discrepancies were noted regarding the collection of handling fee donations at the pharmacy. This was also noted in the prior audit. During our analytical procedures, we noted fluctuations that were outside of our expectations. While these amounts are not material in nature, we recommend continued due diligence by management to monitor the handling fee income being processed through the pharmacy. Management indicated that a new commercial grade register is being used in fiscal year 2013 and should provide a better accounting and monitoring tool. As noted, continued monitoring of this area is recommended through a monthly reasonableness test on the handling fee donations, surprise audits, and other analytical procedures.

**Management Response**

The Finance Director is receiving monthly reports from the pharmacy and comparing them to the general ledger income for reasonableness.

**Finding:**

**Overview and Compliance with Contracts and Grants**

During our review of requirements under various contracts and grants, we noted that a formal process does not appear to be in place to ensure that WHR is tracking these requirements. In discussions with management, there were several cases where management appeared to be aware of the requirements, but noted the requirement may have been waived by the grantor. There was no documentation to support the waiver. To ensure that WHR stays in compliance with the grant/contract, support should be obtained from the grantor or contractor if waivers to original award conditions are being made.

In addition, in a particular case where reports were due within a specific time frame, funding was lost because the report was not submitted timely. We encourage management to develop a process to ensure that both program and fiscal personnel review all grants and contracts and develop a Tickler Report or spreadsheet to monitor all requirements. This would include reporting deadlines, audit requirements, use of funds, etc. Based on our testing, we did not identify any material noncompliance at this time. However, attention to this area is warranted to prevent possible noncompliance that could have the potential to expose WHR to future loss of funding.

**Management Response**

Management and the Finance Director are aware of all requirements necessary to comply with various contracts and grants. The grant in question has never required quarterly reports in the past nor did it issue any waivers. The quarterly reports are now being requested and the Finance Director completes them and submits them before the next quarter's check can be issued.

The particular case where funding was lost, was because the grantor issued reports that stated a specific time that reports were due and those reports were incorrect. It was the grantors fault, not Wheeling Health Right's.

***Additional Best Practices Recommendations:***

**Employee Evaluations**

We were unable to locate evidence of the Executive Director's annual evaluation in the Executive Committee Minutes. In the future, it is recommended that the Executive Committee Minutes formally document this review.

**Management Response**

The Executive Director's annual evaluation will be included in the Executive Committee Minutes in the future.

**Fixed Assets**

In the prior year, we had recommended that WHR consider establishing a dollar threshold for the capitalization of fixed assets and formally document this in WHR's Financial Policies and Procedures Manual. However, this recommendation does not appear to have been addressed.

**Management Response**

Wheeling Health Right's Financial Policies and Procedures Manual will be updated with a dollar threshold for the capitalization of fixed assets.

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

DHHR -

MAR 18 2013

Date Recd