Women's Health Center of West Virginia, Inc.

Financial Statements

June 30, 2012

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arnett foster toothman pllc

CPAs & Advisors

WOMEN'S HEALTH CENTER OF WEST VIRGINIA, INC.

FINANCIAL STATEMENTS

JUNE 30, 2012

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Women's Health Center of West Virginia, Inc.
Charleston, West Virginia

We have audited the balance sheet of Women's Health Center of West Virginia, Inc., as of June 30, 2012, and the related statements of activities, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements as of June 30, 2011, were audited by Toothman Rice PLLC, who merged with Arnett Foster Toothman PLLC as of September 1, 2012, and whose report dated November 14, 2011, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 audit provides 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 Women's Health Center of West Virginia, Inc., as of June 30, 2012, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Arnett Foster Toothman PLLC

Bridgeport, West Virginia
December 12, 2012

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WOMEN'S HEALTH CENTER OF WEST VIRGINIA, INC

BALANCE SHEETS
JUNE 30, 2012 AND 2011

	2012	2011
ASSETS		
Cash	$ 158,746	$ 236,444
Accounts receivable, net	137,944	79,531
Supplies inventory	36,617	29,280
Prepaid expenses	40,143	80,982
Total current assets	373,450	426,237
PROPERTY AND EQUIPMENT, at cost		
Land	343,316	341,805
Building and improvements	613,795	613,795
Furniture and equipment	377,382	350,753
	1,334,493	1,306,353
Less accumulated depreciation	(594,506)	(539,967)
	739,987	766,386
Investments held by a community foundation	39,795	38,501
Total assets	$ 1,153,232	$ 1,231,124
LIABILITIES AND NET ASSETS		
Current portion of long-term debt	$ 32,416	$ 40,955
Accounts payable	23,641	67,334
Accrued salaries and benefits	76,949	113,595
Deferred revenue	26,301	29,436
Total current liabilities	159,307	251,320
LONG-TERM DEBT, less current portion	19,659	97,360
Total liabilities	178,966	348,680
UNRESTRICTED NET ASSETS	974,266	882,444
Total liabilities and net assets	$ 1,153,232	$ 1,231,124

The Notes to Financial Statements are an integral part of these statements.

WOMEN'S HEALTH CENTER OF WEST VIRGINIA, INC.

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
REVENUE		
Net patient service revenue	$ 1,223,656	$ 1,109,290
State funding	228,755	236,950
Public support contributions	71,547	71,474
Other grant revenue	81,648	90,823
Investment income	1,295	3,105
	1,606,901	1,511,642
EXPENSES		
Salaries and wages	855,798	881,221
Employee benefits	175,870	182,468
Professional and consulting	57,908	57,091
Advertising	9,452	10,864
Meetings, conferences, and training	28,754	9,834
Depreciation	54,539	48,770
Supplies	30,434	27,716
Insurance	7,025	15,689
Medicine and medical consumables	158,910	116,771
Utilities and telephone	24,052	24,749
Interest	5,716	7,558
Repairs and maintenance	79,134	50,129
Taxes and licenses	111	325
Travel	6,212	26,931
Other	21,164	29,757
	1,515,079	1,489,873
Change in unrestricted net assets	$ 91,822	$ 21,769

The Notes to Financial Statements are an integral part of these statements

WOMEN'S HEALTH CENTER OF WEST VIRGINIA, INC.

STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
UNRESTRICTED NET ASSETS		
Unrestricted net assets, beginning	$ 882,444	$ 860,675
Change in unrestricted net assets	91,822	21,769
Unrestricted net assets, ending	$ 974,266	$ 882,444

The Notes to Financial Statements are an integral part of these statements.

WOMEN'S HEALTH CENTER OF WEST VIRGINIA, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 91,822	$ 21,769
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized loss (gain) on investments	154	(5,714)
Realized (gain) on investments	(1,105)	(731)
Depreciation and amortization	54,539	48,770
(Increase) in accounts receivable	(58,413)	(3,895)
(Increase) in supplies inventory	(7,337)	(1,887)
Decrease (increase) in prepaid assets	40,839	(49,200)
(Decrease) increase in accounts payable	(43,693)	45,109
(Decrease) increase in accrued salaries and benefits	(36,646)	17,506
(Decrease) in deferred revenue	(3,135)	(9,603)
Net cash provided by operating activities	37,025	62,124
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from investment transactions	(343)	5,676
Purchases of fixed assets	(28,140)	(78,050)
Net cash (used in) investing activities	(28,483)	(72,374)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	-	57,561
Payments on long-term debt	(86,240)	(30,179)
Net cash (used in) provided by financing activities	(86,240)	27,382
Net (decrease) increase in cash	(77,698)	17,132
Cash		
Beginning	236,444	219,312
Ending	$ 158,746	$ 236,444
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 5,716	$ 7,558
Cash paid for taxes	$ -	$ -

The Notes to Financial Statements are an integral part of these statements.

NOTE 1. NATURE OF OPERATIONS

Women's Health Center of West Virginia, Inc., (the Center) (located in Charleston, West Virginia) is a non-profit, non-stock corporation organized in 1975 under the laws of the State of West Virginia. The primary purpose of the Center is to provide reproductive health services, education and counseling to women living primarily in Kanawha County, West Virginia and surrounding communities in West Virginia.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Reporting
These financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, whereby revenues are recognized when earned rather than when received and expenses are recognized when incurred rather than when paid.

Management's 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of expenses during the reporting periods Actual results could differ from those estimates.

Accounts Receivable, Net
Accounts receivable represents the estimated net realizable amounts from patients, third party payers and others for services rendered. Estimates are based upon historical and current collection percentages. The Center utilizes the reserve method for accounting for bad debts, and provides for uncollectible amounts within the allowance for doubtful accounts. Amounts that are deemed uncollectible are charged against the reserve. Management's estimates of allowances for doubtful accounts are based on historical experience and analysis of individual patient and third-party receivables. Specific balances are written off at the time that they are determined to be uncollectible Delinquent accounts are determined on a case-by-case basis. Accounts receivable are reported net of allowance for uncollectible accounts and estimated adjustments of $59,377 and $25,100 at June 30, 2012 and 2011, respectively.

Supplies Inventory
The supplies inventory is valued at cost using the first-in, first-out method.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fixed Assets

Fixed assets are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are provided using the straight-line method over the estimated useful lives (5-40 years) of the related assets. The Center's policy is to capitalize assets with an expected useful life is in excess of one year and an individual cost in excess of $2,000 at the acquisition date

Normal repairs and maintenance are expensed as incurred; significant improvements which materially increase values or extend useful lives are capitalized and depreciated over the estimated useful lives of the related assets. Upon sale or retirement of depreciable assets, the related cost and accumulated depreciation are removed from the accounts. Any gain or loss on the sale or retirement is recognized in current operations.

Net Asset Classification

The Center follows the requirements of the Financial Accounting Standards Board in ASC 958 in which the Center is required to report information regarding its financial position and activities according to three classes of net assets:

<u>Unrestricted net assets</u> – net assets not subject to donor/grantor-imposed stipulations

<u>Temporarily restricted net assets</u> – net assets subject to donor/grantor-imposed stipulations that will be met either by actions of the Center and/or the passage of time.

<u>Permanently restricted net assets</u> – net assets subject to donor/grantor-imposed stipulations that they be maintained permanently by the Center.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor/grantor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor/grantor stipulation or by law. Expirations of temporary restrictions on net assets (that is, the donor/grantor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

At June 30, 2012 and 2011, the Center had no permanently restricted net assets or temporarily restricted net assets.

The Greater Kanawha Valley Foundation (GKVF) holds assets in trust for the for the benefit of the Center under a GKVF controlled contribution as well as under a reciprocal transfer from the Center for it's ultimate benefit as further described in Notes 5 and 6.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Patient Service Revenue
The Center reports revenue at the estimated net realizable amounts from patients and third-party payers. Revenues are based on the encounters performed and medical services provided. These revenues are subject to audit and retroactive adjustment by the state of West Virginia. In the opinion of management, retroactive adjustments, if any, would not be material to the financial position or results of operations of the Center. Laws and regulations governing the Medicaid and other programs are complex and subject to interpretation. The Center believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrong doing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future review and interpretation. The results of such governmental review could include fines, penalties and exclusion from the Medicaid program.

Charity Care
The Center has a policy of providing charity care to patients who are unable to pay. Such patients are identified based on financial information obtained from the patient and subsequent analysis. Since the Center does not expect payment, estimated charges for charity care are not included in revenue.

The net cost of charity care provided was $7,360 and $6,800 for the years ended June 30, 2012 and 2011, respectively The net cost estimate is based on the estimated revenue for charity care services divided by total revenue multiplied by the total expenses to operate the Center. There are no receipts applied against these expenses, however the Center does receive funding from the State of West Virginia to assist in covering the cost of these charity services and other costs that are not paid for by other revenue sources

Donor Restrictions
The Center reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of operations as net assets released from restrictions. When long-lived assets are placed in service, thus satisfying purpose restrictions, the amount is included as a change in net assets, restricted and unrestricted. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying financial statements. The Center reports gifts of equipment (or other long-lived assets) as unrestricted support unless explicit donor stipulations specify how the donated assets must be used Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes
The Center is a not-for-profit entity that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code In addition, the Center qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an entity that is not a private foundation under 509(a)(1).

Economic Dependency and Geographic Concentration
The Center generates a substantial portion of its patient service revenue from services to Medicaid beneficiaries. Changes in payment rates or methodologies by this program could, therefore, significantly impact operations. The Center also receives significant funding from state grants, and discontinuation of support from these sources would significantly impact operations. Patient service revenue is primarily limited to services provided to residents in the Kanawha County area. General economic conditions in these areas significantly influence the Center's ability to collect fees for services rendered.

Interest and Advertising Costs
All interest and advertising costs have been expensed. Advertising costs were $9,452 and $10,864 for the years ended June 30, 2012 and 2011, respectively.

Reclassifications
Certain expenses in the Statement of Activities for the year ended June 30, 2011, have been reclassified to conform with the presentation of amounts for the year ended June 30, 2012. The reclassifications have no effect on the change in net assets for the year ended June 30, 2011.

NOTE 3. CASH BALANCES IN EXCESS OF FEDERAL DEPOSIT INSURANCE (FDIC)

The FDIC insures deposits in any single banking institution up to $250,000. As of June 30, 2012 and 2011, the Center had deposits in excess of the insured limits. In management's opinion, the amounts in excess of FDIC limits do not pose a significant risk as the bank has agreed with management to pledge securities in excess of FDIC limits.

NOTE 4. PENSION PLAN

The Center has a 401(k) Defined Contribution Plan The Plan allows eligible participants to make elective deferrals and receive matching employer contributions up to 3.5% of the participant's compensation Eligibility to participate in the Plan is based on age and service criteria. Pension expense for the years ended June 30, 2012 and 2011, was $11,468 and $14,081, respectively

NOTE 5. INVESTMENTS

The Center has established a fund with the Greater Kanawha Valley Foundation (GKVF or the Foundation). The use of fund income and principal are determined by an advisory committee of the GKVF at its discretion.

Variance Power

The Board of Trustees (the Board) of the GKVF has the power to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to specified organizations, if, in the sole judgment of the Board (without the approval of any trustee, custodian or agent), such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the area served by the Foundation.

Generally accepted accounting principles state that, despite the variance power, the transfer to the GKFV from the Center for the benefit of the Center is considered to be a reciprocal transfer and is considered a liability to the GKFV and a refundable asset of the Center. Accordingly, the fund has been included in the balance sheets of Women's Health Center of West Virginia, Inc. The balances invested in the pooled investment fund of the GKVF as of June 30, 2012 and 2011 are $39,795 and $38,501, respectively, at fair value as reported by the GKFV.

Activity from fund investments for the fiscal years ended June 30 was as follows:

	2012	2011
Above investments held by GKVF		
Change in unrealized gains and losses	$ (155)	$ 5,714
Contributions	-	-
Dividends and interest	813	553
Bank fees and administrative expenses	(468)	(425)
Realized gains and losses	1,105	731
Subtotal	1,295	6,573
Distributions to the Center	-	(3,688)
	$ 1,295	$ 2,885

NOTE 6. BENEFICIAL INTEREST IN ENDOWMENT FUND OF OTHERS

Certain other funds (perpetual trusts) have been established as endowment funds with the Greater Kanawha Valley Foundation (GKVF or the Foundation) from donations to the GKVF for the benefit of the Center. The trustee has been authorized to distribute investment income to the Center.

Variance Power
The GKVF has variance power and has the power to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to specified organizations, if, in the sole judgment of the Board of GKVF (without the approval of any trustee, custodian or agent), such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the area served by the Foundation.

Generally accepted accounting principles for the accounting for contributions held by others states that due to the contribution having been made to the GKVF with the variance power granted by the donor, the contributions are considered contributions to the GKVF and the Center recognizes contributions upon distribution from the GKVF. Accordingly, these funds have not been recognized on the accompanying balance sheets. There were no distributions from these funds to the Center for the years ended June 30, 2012 and 2011.

NOTE 7. LONG-TERM DEBT

Long-term notes payable at June 30, 2012 and 2011, consist of the following:

	2012	2011
City National Bank, payable in monthly installments of $1,860, including interest at 6 75% through August 2013 Secured by real estate.	$ 24,840	$ 43,793
Huntington National Bank, payable in monthly installments of $1,057, including interest at 6.5% through November 2014. Secured by real estate.	27,235	38,682
United Bank, payable in monthly installments of $1,068, including interest at 4.25%. Paid in full December 2011.	-	55,840
	52,075	138,315
Less current portion	32,416	40,955
Long-term portion	$ 19,659	$ 97,360

NOTE 7. LONG-TERM DEBT (CONTINUED)

Future maturities are as follows for the years ending June 30:

2013	$ 32,416
2014	15,477
2015	4,182
	$ 52,075

NOTE 8. FAIR VALUE MEASUREMENTS

Fair value measurements establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy used to value financial assets and liabilities are described as follows:

Level 1
Financial assets are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government securities that are traded by dealers or brokers in active over-the-counter markets for mutual funds. Money markets and certificates of deposits are valued at cost due to the short-term nature of these investments.

Reported investments are held by the Greater Kanawha Valley Foundation (GKVF) as described in Note 5. The total value of the fund is set by an FDIC insured banking institution as part of a larger investment pool, and the Center recognizes its portion of the overall investment pool. The individual components of this investment have not been provided by the GKVF; however, management has been informed the investments are in publicly traded securities.

Level 2
Financial assets are valued using inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3
Financial assets are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset

NOTE 8. FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth by level, within the fair value hierarchy, the fair values of financial assets measured on a recurring basis:

Assets at Fair Value as of June 30, 2012

Investments	Level 1	Total
Other Investments	$ 39,795	$ 39,795

Assets at Fair Value as of June 30, 2011

Investments	Level 1	Total
Other Investments	$ 38,501	$ 38,501

NOTE 9. CLASSIFICATION OF EXPENSES

Expenses are charged to program and support services based on the actual costs incurred. Those expenses which are not directly identifiable with any other specific function, but provide overall support and direction, have been included as General and Administrative.

	2012	2011
Program Services	$ 1,281,441	$ 1,257,391
General and Administrative	231,847	231,485
Fund Raising	1,791	997
	$ 1,515,079	$ 1,489,873

NOTE 10. UNCERTAIN TAX POSITIONS

Accounting Standards prescribes a recognition threshold and measurement attribute for a tax position taken or expected to be taken in a tax return where there is uncertainty about whether a tax position will ultimately be sustained upon examination. The Center does not believe its financial statements include (or reflect) any uncertain tax positions The Center's federal Return of Organizations Exempt from Income Taxes for tax years 2008, 2009, 2010 (filed) and 2011 (unfiled) remain subject to examination by the Internal Revenue Service.

NOTE 11. SUBSEQUENT EVENTS

The Center's management has evaluated events subsequent from June 30, 2012 through December 12, 2012, which is the issuance date of this report. There has been no material event noted during this period that would either impact the results reflected in this report or the Center's results going forward.

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To the Board of Directors
Women's Health Center of West Virginia, Inc.
Charleston, West Virginia

In planning and performing our audit of the financial statements of Women's Health Center of West Virginia, Inc. (Center) as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered Women's Health Center of West Virginia, Inc.'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 Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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 following deficiencies in Women's Health Center of West Virginia, Inc.'s internal control to be a material weakness.

Theft of Cash

During the year, there were instances in which the organization realized that some funds had been misappropriated from the safe or not placed in the safe The Internal control structure in place, did provided for tracking and recognizing the theft within a very short period of time, but also permitted the theft to occur. Further, the Center has made some alterations to the internal control procedures and the persons believed responsible for the theft are no longer employees of the Center. The Center did have an employee dishonesty insurance policy and a payment has been made under that policy for part of the theft. We recommend not further action by the Center in relationship to this issue.

This communication is intended solely for the information and use of management, board of directors, the West Virginia Division of Primary Care and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties

Arnett Foster Toothman PLLC

Bridgeport, West Virginia
December 12, 2012

DHHR - Finance

JUL 22 2013

Date Received

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