

Westbrook Health Services, Inc.

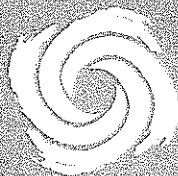
Audited Financial Statements

As of and for the Years Ended
June 30, 2013 and 2012

DHHR - Finance

MAR 18 2014

Date Received



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CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3
Statements of Cash Flows	4
Notes to Financial Statements	5-11
Supplementary Information:	
Schedule of Expenditures of State Funded Awards (Cash Basis)	12
Schedule of BHHF Funded Fixed Assets	13-14
Schedule of BHHF Funding Status	15
BHHF Standardized Financial Statements-Balance Sheet	16-17
BHHF Standardized Financial Statements-Statement of Activity	18-19
Schedule of Expenditures of Federal Awards	20
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	21
Report on Compliance with Requirements that Could Have A Direct and Material Effect on Each Major Program and Internal Control over Compliance in Accordance with <i>OMB Circular A-133</i>	22-23
Schedule of Findings and Questioned Costs	24-25



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October 31, 2013

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Westbrook Health Services, Inc. (the "Organization") which comprise the statements of financial position as of June 30, 2013 and 2012, the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization, as of June 30, 2013 and 2012, and the changes in net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying information on pages 13 to 20, 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 21 and 22 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 themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2013, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Hea & Associates, Inc.

DHHR - Finance

MAR 18 2014

Date Received

WESTBROOK HEALTH SERVICES, INC.

STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2013 AND 2012

	<u>ASSETS</u>	
	<u>2013</u>	<u>2012</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,704,783	\$ 460,236
Accounts receivable, less allowance for doubtful accounts of \$624,556 and \$358,001 in 2013 and 2012	949,537	898,392
Federal and state grants receivable	358,676	854,089
Prepaid expenses	34,218	110,554
Total current assets	4,047,214	2,323,271
INVESTMENTS	11,000	11,000
PROPERTY AND EQUIPMENT, net	3,535,052	3,683,331
Total assets	\$ 7,593,266	\$ 6,017,602

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	\$ 385,378	\$ 237,865
Advanced billings	78,340	90,315
Salaries payable	293,024	233,209
Accrued expenses	292,845	399,327
Accrued vacation payable	269,336	237,275
Other liabilities	32,195	31,094
Total current liabilities	1,351,118	1,229,085
NET ASSETS	6,242,148	4,788,517
Total liabilities and net assets	\$ 7,593,266	\$ 6,017,602

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

WESTBROOK HEALTH SERVICES, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
REVENUE:		
PATIENT REVENUE:		
Patient revenue (net of discounts, adjustments, and write-offs of \$8,279,323 and \$8,722,524 in 2013 and 2012)	\$ 16,746,682	\$ 13,959,075
FEDERAL REVENUE	1,159,963	1,053,815
STATE REVENUE	4,852,008	5,113,123
LOCAL REVENUE	170,954	173,036
OTHER REVENUE:		
Miscellaneous income	231,366	257,108
Total revenue	<u>23,160,973</u>	<u>20,556,157</u>
OPERATING EXPENSES:		
Salaries and wages	13,676,584	12,406,252
Fringe benefits and payroll taxes	2,742,714	2,324,360
Contracted services	1,520,403	1,380,758
Staff training	77,921	48,096
Utilities	264,440	261,764
Telephones and pagers	190,695	160,067
Rental	308,704	271,934
Food products	155,912	167,763
Interest	7,403	57,331
Advertising	59,417	60,093
Depreciation	492,235	456,192
Medicaid taxes	764,922	593,515
Non-capitalized equipment	26,142	11,909
Insurance	133,527	160,608
Office	27,911	28,495
Program operations and supplies	281,879	252,083
Travel	558,611	523,935
Maintenance	340,055	250,896
Miscellaneous	77,867	53,449
Total operating expenses	<u>21,707,342</u>	<u>19,469,500</u>
Changes in net assets	1,453,631	1,086,657
NET ASSETS, beginning of the year	4,788,517	3,701,860
NET ASSETS, end of the year	<u>\$ 6,242,148</u>	<u>\$ 4,788,517</u>

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

WESTBROOK HEALTH SERVICES, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 1,453,631	\$ 1,086,657
Net adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation expense	492,235	456,192
Bad debt expense	196,596	416,447
Loss on sale and disposal of property and equipment	22,887	-
(Increase) decrease in operating assets:		
Accounts receivable	(247,741)	(43,939)
Federal and state grants receivable	495,413	(137,867)
Prepaid expenses	76,336	20,748
Increase (decrease) in operating liabilities:		
Accounts payable	147,513	(371,861)
Salaries payable	59,815	(349,378)
Accrued expenses	(106,482)	144,577
Accrued vacation payable	32,061	30,552
Other liabilities	(10,874)	90,737
Net adjustments	<u>1,157,759</u>	<u>256,208</u>
Net cash provided by operating activities	<u>2,611,390</u>	<u>1,342,865</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for the purchase of property and equipment	<u>(366,843)</u>	<u>(507,668)</u>
Net cash used in investing activities	<u>(366,843)</u>	<u>(507,668)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net borrowing (payment) on line of credit	<u>-</u>	<u>(775,000)</u>
Net cash used in financing activities	<u>-</u>	<u>(775,000)</u>
Net increase in cash and cash equivalents	<u>2,244,547</u>	<u>60,197</u>
CASH AND CASH EQUIVALENTS, beginning of the year	<u>460,236</u>	<u>400,039</u>
CASH AND CASH EQUIVALENTS, end of the year	<u>\$ 2,704,783</u>	<u>\$ 460,236</u>

The accompanying notes are an integral part of these financial statements

WESTBROOK HEALTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: DESCRIPTION OF ORGANIZATION

Description of Organization

Westbrook Health Services, Inc. (the "Organization") is a not-for-profit, non-stock 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.

The Organization's Code of Regulations vests governing authority of the Organization in a Board of Directors (the "Board"). The Directors are composed of qualified individuals who are elected at an annual meeting. In addition, the Code of Regulations states that the Board members must reside and or work in the counties served by the Organization.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized when earned, and expenses are recognized when the obligation is incurred.

Use of Management 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

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

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations, even though their use may be limited in other respects, such as by contract or by Board designation. Donor-restricted contributions whose restrictions are met in the same year as the contributions are recorded as unrestricted net assets.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization or the passage of time. As of June 30, 2013 and 2012, there were no temporarily restricted net assets.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. As of June 30, 2013 and 2012, there were no permanently restricted net assets.

WESTBROOK HEALTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

The Organization's revenue recognition policies are as follows:

Net Patient Services

The Organization has agreements with third-party payors that provide 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.

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. Beginning in the year ended June 30, 2012, in response to Accounting Standards Update (ASU) 2010-23, entitled *Health Care Entities - Measuring Charity Care for Disclosure*, the Organization began recognizing charity care revenue on a fee for service basis. Prior to the fiscal year ended June 30, 2012, the Organization did not pursue collection of amounts determined to qualify as charity care, and therefore did not report them as revenue.

Grant Revenue

The Organization receives funding from Federal, state, and local government and other sources. The majority of its funding is from the West Virginia Department of Health and Human Resources. These funds are recognized as revenue when the related services are provided or when qualifying expenditures are incurred.

Contributions

Contributions and gifts are recorded at fair value at the date of the donor's promise to give. These contributions and gifts are considered to be available for unrestricted use, unless specifically restricted by the donor.

Patient and Third Party Accounts Receivable

Patient and third party accounts receivable are stated at the original invoice amount, net of an allowance for doubtful accounts. An allowance for doubtful accounts is estimated based upon the Organization's collection history and the age of outstanding receivables at year end. Patient receivables are considered past due when they are outstanding 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. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded as income when received.

Grants Receivable

Grants receivable consists of amounts promised under grant contracts with the U.S. Department of Health and the Bureau of Behavioral Health and Health Facilities of West Virginia, which is under the West Virginia Department of Health and Human Resources. Management anticipates collecting the full balance in the subsequent year. Accordingly, no allowance for doubtful accounts has been provided as of June 30, 2013 and 2012.

WESTBROOK HEALTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2: 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 leasehold improvements are depreciated over the lesser of useful lives of the underlying assets or the lease term using the straight-line method. Property and equipment are depreciated over the estimated useful lives of the respective assets, ranging from 3 to 40 years, using the straight-line method. Maintenance and repairs are expensed as incurred.

Allocation of Expenses

Conditions are set under which the Organization allocates costs to program services and support services classifications. Cost allocation occurs whenever costs are associated with more than one activity. Costs are allocated based on estimated or actual amounts.

Income Taxes

The Organization is exempt from Federal income tax, pursuant to Internal Revenue Code Section 501(c)(3) as a public charity. The Organization has been classified as an organization that is not a private foundation under Section 509(a)(2). Therefore, the Organization has no liability for federal income tax on exempt activities. However, the Organization may be subjected to tax on unrelated business income. For the years ended June 30, 2013 and 2012, the Organization had no unrelated business income.

Generally accepted accounting principles require the Organization to evaluate the level of uncertainty related to whether tax positions taken will be sustained upon examination. Any positions taken that do not meet the more-likely-than-not threshold must be quantified and recorded as a liability for unrecognized tax benefits in the accompanying balance sheet along with any associated interest and penalties that would be payable to the taxing authorities upon examination. Management believes that none of the tax positions taken would materially impact the financial statements and no such liabilities have been recorded.

In general, the Organization is no longer subject to U.S. federal, state, and local income tax examinations by tax authorities for the period prior to June 30, 2010.

Subsequent Events

The Organization has evaluated subsequent events through October 31, 2013, the date on which the financial statements were available to be issued. Management determined that there were no transactions or events that required disclosure through the evaluation date.

Advertising

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

NOTE 3: RISKS AND UNCERTAINTIES

Uninsured Risk – Cash Deposits

The Organization maintains its cash and cash equivalent balances in financial institutions located in West Virginia. Beginning January 1, 2013, deposits in interest-bearing and non-interest-bearing accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a coverage limit of \$250,000. The Organization has both interest-bearing and noninterest-bearing accounts. As a result, the Organization may have balances in interest-bearing accounts that exceed the insured limit.

WESTBROOK HEALTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 3: RISKS AND UNCERTAINTIES (CONTINUED)

Concentration of Credit Risk – Patient and Third Party Accounts Receivable

As of June 30, 2013 and 2012, accounts receivable from Medicaid represented 68% and 67% of the Organization's total patient and third party accounts receivable, respectively.

Concentration Risk – Federal, State, and Local Revenue

The table below outlines the major sources of revenue resulting in economic dependency. The ability of these parties to honor their obligations is partially dependent upon the economic condition of the State of West Virginia. The Organization maintains allowances for potential losses, which, when realized, have been within the range of management's expectations.

Revenue recognized from client services is as follows for year ended June 30, 2013:

	Gross Patient Revenue	Less: Contractual Adjustments, Charity Care, and Bad Debt Expense	Net Patient Revenue
Medicaid	\$ 7,074,129	\$ 2,306,455	\$ 4,767,674
Medicaid waiver	12,526,143	2,412,274	10,113,869
Medicare	978,877	703,435	275,442
Private pay	263,614	3,443	260,171
Insurance	1,331,657	692,812	638,845
Other (including charity care)	2,851,585	1,964,308	887,277
Bad debt expense	-	196,596	(196,596)
Total	<u>\$ 25,026,005</u>	<u>\$ 8,279,323</u>	<u>\$ 16,746,682</u>

Revenue recognized from client services is as follows for year ended June 30, 2012:

	Gross Patient Revenue	Less: Contractual Adjustments, Charity Care, and Bad Debt Expense	Net Patient Revenue
Medicaid	\$ 5,929,562	\$ 1,990,231	\$ 3,939,331
Medicaid waiver	11,991,688	3,258,800	8,732,888
Medicare	810,792	453,148	357,644
Private pay	300,861	67,064	233,797
Insurance	985,259	534,811	450,448
Other (including charity care)	2,663,437	2,002,023	661,414
Bad debt expense	-	416,447	(416,447)
Total	<u>\$ 22,681,599</u>	<u>\$ 8,722,524</u>	<u>\$ 13,959,075</u>

WESTBROOK HEALTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30, 2013 and 2012:

	2013	2012
Land	\$ 400,704	\$ 400,704
Furniture and Fixtures	307,840	290,918
Equipment	2,659,946	2,517,132
Property, buildings, and improvements	4,581,800	4,427,807
Total	7,950,290	7,636,561
Less: accumulated depreciation	(4,415,238)	(3,953,230)
Property and equipment, net	\$ 3,535,052	\$ 3,683,331

Depreciation expense for 2013 and 2012 was \$492,235 and \$456,192, respectively, of which \$0 and \$3,521, respectively, was attributable to fixed assets purchased during the year with state funds

Cost of property and equipment purchased with Bureau for Behavioral Health & Health Facilities grant funds and related accumulated depreciation was \$616,474 and \$479,613, respectively, at June 30, 2013, and \$616,474 and \$437,865, respectively, at June 30, 2012.

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 \$89,313 and \$76,806 at June 30, 2013 and 2012, respectively.

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 \$998,473 and \$966,522 at June 30, 2013 and 2012, respectively. Land provided to the Organization under this lease amounted to \$350,000 as of June 30, 2013 and 2012. 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 \$53,419 and \$47,009 at June 30, 2013 and 2012, 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 \$30,167 and \$26,964 at June 30, 2013 and 2012, respectively. The lease expires in 2043.

Restrictions on Assets

The Organization has seven vehicles in its possession that are restricted in terms of disposition. They were partially funded for Westbrook Health Services, Inc. under a grant from the West Virginia Division of Public Transit. The assets have been recorded at cost. A disposition restriction exists until the assets' useful lives expire or over a specified period of time set by the Division. Westbrook Health Services, Inc. is restricted from selling these assets until the grant has expired.

These restricted assets had a total net book value of \$62,748 and \$109,177 at June 30, 2013 and 2012, respectively. The change in restricted assets is a result of depreciation expense and the release from restriction of two assets due to passage of time and mileage of the vehicle.

WESTBROOK HEALTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5: LINE OF CREDIT

The Organization entered into a revolving line of credit agreement with a bank and allows the Organization to borrow up to \$2,000,000. The agreement requires monthly interest payments on the outstanding balance calculated at the prime rate plus 0.5% subject to a floor of 5.0% and a ceiling of 18%. There was no outstanding balance on the line of credit as of June 30, 2013 and 2012. The line of credit expires March 30, 2021 and requires the Organization to maintain a specified minimum debt service coverage ratio. The line is secured by inventory, equipment, furnishings and accounts receivable.

NOTE 6: OPERATING LEASE OBLIGATIONS

The Organization leases land, buildings, and office equipment under various operating lease agreements expiring through 2021. Some of these leases may be cancelled with proper advance notice by the Organization. Minimum future lease payments under various, non-cancellable operating lease agreements are as follows:

Year Ended June 30,	Amount
2014	157,241
2015	157,241
2016	130,841
2017	75,665
2018	50,236
Thereafter	104,400
	<u>\$ 675,624</u>

Rental expense for the years ended June 30, 2013 and 2012 was \$308,704 and \$271,934, respectively.

NOTE 7: RETIREMENT PLANS

Section 401(a) 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 \$4,216 and \$4,123 in 2013 and 2012, 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. In addition, as of July 1, 2012, the Organization matches 100% of employee contributions up to 4% of eligible compensation. The Organization's contribution on behalf of its employees was \$278,586 and \$152,276 in 2013 and 2012, respectively.

WESTBROOK HEALTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 8: COMMITMENTS AND CONTINGENCIES

Approximately 13% 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 that will expire in September 2015.

NOTE 9: RELATED PARTIES

The Organization 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. Revenue relating to the bookkeeping services was \$8,001 and \$8,143 for June 30, 2013 and 2012.

NOTE 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, 2013 and 2012, are as follows:

	<u>2013</u>	<u>2012</u>
Program services	\$ 18,137,866	\$ 16,218,594
General and administrative	3,569,456	3,250,906
Total	<u>\$ 21,707,342</u>	<u>\$ 19,469,500</u>

WESTBROOK HEALTH SERVICES, INC.
 SCHEDULE OF EXPENDITURES OF STATE FUNDED AWARDS (CASH BASIS)
 YEAR ENDED JUNE 30, 2013

Grantor/Program Title	Grantor's Number	Program or Award Amount	Extended P.O.	Refundable Advances June 30, 2012	Amount Collected in Current Year	Net Disbursements/ Expenditures	Refundable Advances June 30, 2013
WV Department of Health and Human Resources, Bureau for Behavioral Health and Health Facilities (BHHF):							
Mental Health Client Core Services	0525-2013-2851-219-252/258	\$ 548,757	\$ -	\$ -	\$ 548,757	\$ 548,757	\$ -
Family Support Funds	0525-2013-2870-221-252/258	93,070	-	-	80,285	92,776	-
Community Placement	0525-2013-2870-603-252/258	203,656	-	-	172,239	181,600	-
PI Services	0525-2013-2885-219-252/258	136,417	-	-	113,398	113,398	-
Substance Abuse--Adult Residential	0525-2013-2890-219-252/258	386,211	-	-	348,261	352,610	-
Substance Abuse--Adolescent Outpatient	0525-2013-2892-219-252/258	71,958	-	-	55,539	60,251	-
Clinic Outreach Liason	0525-2013-2919-219-258	78,842	-	-	60,000	61,518	-
Support Alternative Services	0525-2013-3041-219-252/258	421,704	-	-	421,704	421,704	-
Uncompensated Care	0525-2013-3065-219-252/258	251,274	-	-	251,274	251,274	-
Group Homes	0525-2013-3115-219-258-12426	524,802	-	-	436,304	480,202	-
Care Coordination	0525-2013-3701-219-252/258	660,921	-	-	585,251	608,712	-
Co Occurring	0525-2013-3702-219-252/258	267,348	-	-	186,268	222,046	-
Supportive Living	0525-2013-3703-335-252/258	689,989	-	-	576,775	622,320	-
Group Homes	0525-2013-3743-219-258	138,258	-	-	120,000	120,288	-
Group Homes	0525-2013-3743-219-258-12426	673,936	-	-	560,000	599,869	-
Day Support	0525-2013-3744-219-258-12426	322,635	-	-	249,563	286,822	-
PATH	8723-2012-2851-096-128-20060	40,190	-	-	36,248	38,233	-
SBIRT	8723-2012-2885-096-128-16616	353,651	-	-	322,775	348,717	-
Substance Abuse Services	8793-2012-2885-096-128-20060	165,600	-	-	91,979	95,533	-
Substance Abuse Womens	8793-2012-2890-096-128-20060	267,484	-	-	211,420	211,420	-
Substance Abuse Residential	8793-2012-2891-096-128-20060	341,273	-	-	217,293	217,293	-
Substance Abuse Adolescent	8793-2012-2892-096-128-20060	145,255	-	-	90,823	98,318	-
Substance Abuse Prevention	8793-2013-2886-096-128	157,797	-	-	139,427	148,731	-
Total BHHF		<u>6,941,028</u>	<u>-</u>	<u>-</u>	<u>5,875,583</u>	<u>6,182,392</u>	<u>-</u>
Total State Awards		<u>\$ 6,941,028</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,875,583</u>	<u>\$ 6,182,392</u>	<u>\$ -</u>

See Independent Auditor's Report.

WESTBROOK HEALTH SERVICES, INC.

SCHEDULE OF BHHF FUNDED FIXED ASSETS
FOR THE YEAR ENDED JUNE 30, 2013

<u>Provider ID# & Description</u>	<u>Date Acquired</u>	<u>Amount</u>
Assets purchased and capitalized:		
546 2003 Chevy 3500	9/30/2003	\$ 28,309
554 Furniture	1/30/2004	1,342
555 Furniture, women's residential	2/2/2004	5,747
559 Stoves, refrigerator	2/17/2004	2,773
556 Oven	3/19/2004	3,500
558 Chevy Van 4 door white	4/1/2004	19,112
568 Projector and other equipment	4/19/2004	4,251
557 Amity machinery and equipment	4/22/2004	3,501
560 Furnace & AC	5/7/2004	17,227
561 5 washer and dryer	5/18/2004	2,756
571 2005 GMC 12 passenger van	6/28/2004	19,059
572 2005 GMC 12 passenger van	6/28/2004	19,059
573 2005 GMC 12 passenger van	6/28/2004	24,299
574 2005 GMC 12 passenger van	6/28/2004	24,902
577 2005 GMC 12 passenger van	10/28/2004	25,277
578 2005 GMC 12 passenger van	10/28/2004	25,881
580 2005 GMC 12 passenger van	10/28/2004	20,037
582 2005 GMC 12 passenger van	10/28/2004	27,060
601 Computer equipment - Insight	6/30/2005	19,877
602 Computer equipment - Source Code	6/30/2005	5,597
603 Appliances for 16th St.	6/30/2005	3,308
600 2005 Buick LaCrosse	6/30/2005	21,393
607 Washer and dryer	3/31/2006	2,014
608 Laptop computer	3/31/2006	2,255
611 Garden tractor	4/24/2006	2,331
612 Ice maker	4/26/2006	1,776
619 Computer equipment - Insight	8/9/2006	10,512
620 Computer equipment - Source Code	8/18/2006	2,609
621 Computer equipment - Source Code	8/18/2006	2,399
623 2005 Toyota Camry	11/10/2006	14,244
632 Tilt in space shower chair	7/3/2007	1,298
607 Furniture for lobby	2/25/2008	2,316
608 Furniture for lobby	4/29/2008	120
674 2010 Sierra	6/23/2009	26,047
675 2006 Ford Van	6/23/2009	14,690
723 Computer supplies - Insight	7/22/2009	12,822
724 Lenovo branded key - Insight	7/29/2009	1,659
728 Cybernetics - ARC server	9/24/2009	6,067
704 New computers - Insight	12/8/2009	10,408
706 New computers - Insight	12/8/2009	2,082

See Independent Auditor's Report

WESTBROOK HEALTH SERVICES, INC.

SCHEDULE OF BHHF FUNDED FIXED ASSETS
FOR THE YEAR ENDED JUNE 30, 2013

<u>Provider ID# & Description</u>	<u>Date Acquired</u>	<u>Amount</u>
707 New computers – Insight	12/8/2009	4,163
708 New computers – Insight	12/8/2009	10,408
611 Value City Furniture	2/17/2010	2,752
720 Computers - Zones Inc.	6/7/2010	10,052
612 This End Up – furniture	6/8/2010	6,390
613 Value City Furniture	6/11/2010	1,885
719 Value City Furniture	6/20/2010	1,201
775 Computers	7/31/2010	1,802
776 Computers	9/30/2010	1,804
689 Jackson Cty - MI van	1/7/2011	16,133
749 New computers - Source Code	1/14/2011	4,582
620 36th St. furniture	1/20/2011	6,641
621 36th St. furniture	1/20/2011	6,641
747 36th St. appliances	1/20/2011	2,315
748 36th St. appliances	1/20/2011	2,315
625 Tub, shower, faucet	1/30/2011	1,175
626 Tub, shower, faucet	1/30/2011	1,175
778 Polycom QDX	1/30/2011	3,020
750 Double freezer - Fulton	2/10/2011	3,445
751 Dexon computer	2/24/2011	1,240
768 Computers	3/31/2011	1,511
783 Smoke heads and bases	3/31/2011	2,126
754 Computers - Insight	4/1/2011	1,511
623 Value City Furniture	4/28/2011	1,473
624 All Aboard - 6 drawer chest	5/25/2011	1,166
770 Computers	5/30/2011	1,328
759 NOE equipment	6/30/2011	2,362
774 Computers	6/30/2011	1,299
170 IV & Mount	9/20/2011	1,046
179 5 Wall Unit Heaters	12/16/2011	4,567
183 New Computers	1/25/2012	1,874
185 Eagle Eye HD Camera and Ceiling Mic.	1/12/2012	7,636
61 2011 Dodge Caravan	2/15/2012	20,000
129 Harrison Const. – Amity Renovations	8/5/2011	10,551
140 Furnace Work	1/13/2011	1,029
142 Excavation at Amity	3/29/2012	5,760
146 Shelter	4/24/2012	1,350
152 Vinyl Fencing	6/30/2012	7,500
153 New Flooring	6/30/2012	13,330
		<u>\$ 616,474</u>

See Independent Auditor's Report.

WESTBROOK HEALTH SERVICES, INC.
 SCHEDULE OF BHHF FUNDING STATUS
 YEAR ENDED JUNE 30 2013

Grantor's Number	Program or Award Amount	Award Extended From Prior Year	Refundable Advances June 30, 2012	Refundable Advances June 30, 2013	Amount Earned and Billed	Amount Not Billed	Net Disbursements/ Expenditures
0525-2013-2851-219-252/258	\$ 548,757	\$ -	\$ -	\$ -	\$ 548,757	\$ -	\$ 548,757
0525-2013-2870-221-252/258	80,285	12,785	-	-	80,285	12,491	92,776
0525-2013-2870-803-252/258	172,239	31,417	-	-	172,239	9,361	181,600
0525-2013-2885-219-252/258	113,400	23,017	-	-	113,398	-	113,398
0525-2013-2890-219-252/258	348,257	37,954	-	-	348,261	4,349	352,610
0525-2013-2892-219-252/258	55,539	16,419	-	-	55,539	4,712	60,251
0525-2013-2919-219-258	60,000	18,842	-	-	60,000	1,518	61,518
0525-2013-3041-219-252/258	421,704	-	-	-	421,704	-	421,704
0525-2013-3065-219-252/258	251,274	-	-	-	251,274	-	251,274
0525-2013-3115-219-258-12426	438,135	86,667	-	-	436,304	43,898	480,202
0525-2013-3701-219-252/258	586,504	74,417	-	-	585,251	23,461	608,712
0525-2013-3702-219-252/258	203,459	63,889	-	-	186,268	35,778	222,046
0525-2013-3703-335-252/258	577,550	112,439	-	-	576,775	45,545	622,320
0525-2013-3743-219-258	120,000	18,258	-	-	120,000	288	120,288
0525-2013-3743-219-258-12426	560,000	113,936	-	-	560,000	39,869	599,869
0525-2013-3744-219-258-12426	250,000	72,635	-	-	249,563	37,259	286,822
8723-2012-2851-096-128-20060	40,190	-	-	-	36,248	1,985	38,233
8723-2012-2885-096-128-16616	322,918	30,733	-	-	322,775	25,942	348,717
8793-2012-2885-096-128-20060	136,025	29,575	-	-	91,979	3,554	95,533
8793-2012-2890-096-128-20060	239,967	27,517	-	-	211,420	-	211,420
8793-2012-2891-096-128-20060	341,273	-	-	-	217,293	-	217,293
8793-2012-2892-096-128-20060	123,514	21,741	-	-	90,823	7,495	98,318
8793-2013-2886-096-128	157,797	-	-	-	139,427	9,304	148,731
	<u>\$ 6,148,787</u>	<u>\$ 792,241</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,875,583</u>	<u>\$ 306,809</u>	<u>\$ 6,182,392</u>

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, 2013

ASSETS

CURRENT ASSETS:		
1	Cash	\$ 603,516
2	Short-Term Investments	2,112,267
3	Accounts Receivable - BHHF	306,809
4	Accounts Receivable - Client	45,085
5	Accounts Receivable - Medicaid	487,156
6	Accounts Receivable - Medicaid MR/DD Waiver	292,595
7	Accounts Receivable - Other	176,567
8	Inventory	-
9	Prepaid/Other	34,219
10	TOTAL CURRENT ASSETS	<u>4,058,214</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	7,947,415
14	Less Accumulated Depreciation	<u>(4,412,363)</u>
15	Total Property, Land and Equipment (NET)	<u>3,535,052</u>
OTHER NON-CURRENT ASSETS		
16	Long-Term Investments	-
17	Other	-
18	TOTAL ASSETS	<u><u>\$ 7,593,266</u></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, 2013

LIABILITIES

	CURRENT LIABILITIES:	
19	Accounts Payable	\$ 385,378
20	Taxes Payable	12,856
20 A	Provider Taxes Payable	-
21	Line of Credit - Payable	-
22	Short-Term Notes Payable	-
23	Accrued Expenses	842,064
24	Other Current Liabilities	<u>110,820</u>
25	TOTAL CURRENT LIABILITIES	1,351,118
	(Total of Lines 19-24)	
	 LONG-TERM LIABILITIES	
26	Long-Term Notes payable	-
27	Other Long-Term Liabilities	-
28	TOTAL LIABILITIES	<u>1,351,118</u>
	(Total of lines 25, 26, and 27)	

NET ASSETS

29	Unrestricted Net Assets	6,242,148
30	Temporarily Restricted Net Assets	-
31	Permanently Restricted Net Assets	<u>-</u>
32	TOTAL LIABILITIES AND NET ASSETS (Total of lines 28-31)	<u><u>\$ 7,593,266</u></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

FOR THE YEAR ENDED JUNE 30, 2013

REVENUE AND SUPPORT

1	Charity Care	
1 a.	Charity Care - Account 4311.1	\$ -
1 b.	Charity Care - Account 4311.2	(166,237)
1 c.	Charity Care - Account 4312.1	-
1 d.	Charity Care - Account 4312.2	-
1 e.	Charity Care - Account 4314.1	-
1 f.	Charity Care - Account 4314.2	-
1 g.	Charity Care - Account 4315.1	(525,216)
1 h.	Contractual Write-Off Charity-Account 4337.1	(1,234,014)
1 i.	Charity Care Revenue - Account 4329	1,935,057
1 j.	Support/Alternative Svcs. Rev.-Account 4358	525,168
	Total	<u>534,758</u>
2	Gross Client Service Revenue	25,026,004
3	Contractual Adjustments	(1,069,808)
3 a.	Contractual Adjustments	<u>(7,013,067)</u>
5	Net Client Service Revenue	16,943,129
	Net Client Service Revenue:	
6	Medicaid (Target Funds)	674,981
6 a.	Medicaid (Non-Target Funds)	4,092,693
7	Medicaid MR/DD Waiver (Non-Target Funds)	10,113,869
8	ICF/MR (Non-Target Funds)	-
9	Private Pay (Non-Target Funds)	245,731
9 a.	Private Pay (BHHF Target Funds)	14,440
9 b.	Private Pay (BHHF Non-Target Funds)	-
10	Other Client Service Revenue (Target Funds)	64,482
10 a.	Other Client Service Revenue (Non-Target Funds)	<u>1,736,933</u>
11	Total Net Client Service Revenue (Line 11 must agree with Line 5)	16,943,129
12	BHHF Support	5,850,572
13	Other/Public Support	332,503
14	Other	231,365
15	TOTAL REVENUE AND SUPPORT (Total of lines 11-14)	\$ 23,357,569

(continued)

See Independent Auditor's Report.

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)

FOR THE YEAR ENDED JUNE 30, 2013

EXPENSES

16	Salaries	\$ 13,644,598
17	Fringe Benefits	2,774,775
18	Contractual Services	1,520,403
19	Provider Tax	762,659
19 a.	Bad Debt	186,859
19 b.	Bad Debt (BHHF Target Funds)	9,737
19 c.	Bad Debt (BHHF Non-Target Funds)	-
20	Depreciation Expense	492,235
21	Other Expenses	<u>2,512,672</u>
22	TOTAL EXPENSES (Total of lines 16-21)	<u>21,903,938</u>
23	NET INCOME (LOSS) (LINE 15 MINUS LINE 22)	<u>\$ 1,453,631</u>

See Independent Auditor's Report.

WESTBROOK HEALTH SERVICES, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Numbers	Program or Award Amounts	Refundable Advance June 30, 2012	Disbursements	Refundable Advance June 30, 2013
DEPARTMENT OF HEALTH AND HUMAN SERVICES:						
<i>Passed through State of West Virginia Department of Health and Human Resources Bureau for Behavioral Health and Health Facilities</i>						
Block Grant for the Prevention and Treatment of Substance Abuse	93 959					
Substance Abuse Services		8793-2012-2885-096-128-20060	\$ 136,025		\$ 91,979	
Substance Abuse Women's Services		8793-2012-2890-096-128-20060	239,967		211,420	
Substance Abuse Residential Services		8793-2012-2891-096-128-20060	341,273		217,293	
Substance Abuse Adolescent Services		8793-2012-2892-096-128-20060	123,514		90,823	
Substance Abuse Prevention Services		8793-2013-2886-096-128	<u>157,797</u>		<u>139,427</u>	
			998,576		750,942	
Substance Abuse and Mental Health Services Projects	93 243	8723-2012-2886-096-128-20233	322,918		322,775	
Project for Assistance with Transition from Homelessness	93 150	8723-2012-2851-096-128-20214	<u>40,190</u>		<u>36,248</u>	
Total Schedule of Federal Awards			<u>\$ 1,361,684</u>		<u>\$ 1,109,965</u>	

NOTE A - BASIS OF PRESENTATION

The schedule of expenditures of federal awards includes the federal grant activities of Westbrook Health Services and is presented on the accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of, the financial statements.

See Notes to the Schedule of Expenditures of Federal Awards.
 See Independent Auditor's Report.



Rea & associates

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October 31, 2013

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

**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**

We have audited, 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, the financial statements of the Westbrook Health Services (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2013, the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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, described in the accompanying *Schedule of Findings and Questioned Costs*, which we consider to be a significant deficiency in internal control over financial reporting. This is listed as finding 2013-001 and includes the Organization's response to the findings. We did not audit the Organization's response and, accordingly, we express no opinion on it.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rea & Associates, Inc.

CPAs and business consultants

An independent firm associated with Moore Stephens

DHHR Finance

MAR 18 2014

Date Received

132 South Fourth St. Marietta OH 45750-3208
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Rea & Associates, Inc.



Rea & associates

brighter way

October 31, 2013

To the Board of Trustees
Westbrook Health Services, Inc.
Parkersburg, West Virginia

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

Report on Compliance for Each Major Federal Program

We have audited the Westbrook Health Services' (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, 2013. 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*.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The Organization's management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 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 internal control over compliance exists when the design or operation of a control over compliance 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency, described in the accompanying *Schedule of Findings and Questioned Costs*, which we consider to be a significant deficiency in internal control over financial reporting. This is listed as finding 2013-001 and includes the Organization's response to the findings. We did not audit the Organization's response and, accordingly, we express no opinion on it.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Hea & Associates, Inc.

WESTBROOK HEALTH SERVICES
PARKERSBURG, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133, Section 505
JUNE 30, 2013

1. SUMMARY OF AUDITOR'S RESULTS

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other significant deficiency conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Were there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other significant deficiencies reported for major federal programs?	Yes
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section 510 of Circular A-133?	Yes
(d) (1) (vii)	Major Programs (list):	93.959 – Block Grant for the Prevention and Treatment of Substance Abuse 93.243 – Substance Abuse and Mental Health Services Projects
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None were noted.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

2013-001

- Criteria:* OMB Circular A-122 Attachment B (8) states that allocation of payroll (subsection m) and fringe benefits (g) for employees must be supported by personnel activity reports.
- Condition:* During allowable costs testing, audit team noted that selected employees had improper allocation of payroll and benefits during the year. These employees had an approved allocation for multiple reporting units. However, these allocations were not followed, causing employees to be overpaid from some Federal programs and underpaid from others for both payroll and benefits.
- Cause:* Management failed to properly review allocations of payroll and benefits to ensure that the amounts charged to each reporting unit was accurate.
- Effect:* The Organization charged the incorrect amount to their Federal programs due to the improper allocation of payroll and benefits.
- Recommendation:* The Organization should implement a periodic review process to ensure that payroll and benefits for employees that are paid out of multiple reporting units are properly allocated to each fund.
- Action taken:* The Organization has added a quarterly review of these allocations as part of their internal control process to ensure that these payroll allocations are accurate.



October 31, 2013

Kevin Trippett, CFO
Westbrook Health Services, Inc.
2121 East Seventh St
Parkersburg, WV 26101

In connection with our audit of the financial statements of Westbrook Health Services, Inc. as of and for the year ended June 30, 2013, we identified 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. We did not identify any deficiencies in the internal control over financial reporting that we consider to be material weaknesses or significant deficiencies, as defined above.

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

Cash Reconciliation

During the testing of cash, we noted that the bank reconciliation provided by management dated June 2013 did not reflect all activity from fiscal year 2013 and thus did not tie to the trial balance. After investigation of the discrepancy, we did not find any cutoff issues related to the recording of cash. However, management should ensure that monthly bank reconciliations include all relevant transactions in order to tie the bank statement to the trial balance.

Advance Billings Liability

During testing of accounts payable, we identified a payment to a third-party service provider after year-end corresponding to revenue earned and billed in fiscal year 2013. Management typically records an estimate of this expense a month before it is paid thus creating a liability they call "Advance Billings". Two things occurred that resulted in a debit balance for this liability account at year end. First, the estimate corresponding to May billings was not made. Second, management did not make an entry to reconcile the estimate made each month to the actual payment made the following month. This resulted in an immaterial misstatement of third-party service provider expense and of the advance billings liability. Management should perform a reconciliation of the advance billings liability account each month to ensure that the proper expense is recorded in the correct period.

This communication is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than these specified parties

Rea & Associates, Inc.

DHHR - Finance

MAR 18 2014

Date Received

Westbrook Health Services

Administrative Offices
2121 Seventh Street, Parkersburg, WV 26101
Telephone 304-485-1721
Crisis Line 800-579-5844

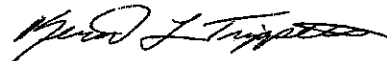
March 11, 2014

To Whom It May Concern:

This letter is in response to the findings in the Management Letter. The first issue identified dealt with cash reconciliation. The process of tying the monthly reconciliation of the bank statement to the general ledger was not documented properly. This documentation will be added to the documentation representing the reconciliation of the bank statements to the bank account ledger. The second issue identified was with the advance billings liability account. This account will be reconciled and adjusted according as part of our month end closing procedures to prevent this issue from happening again.

If additional information is needed regarding these issues, please let me know. Thank you.

Sincerely,



Kevin L. Trippett
CFO

DHHR - Finance

MAR 18 2014

Date Received

Roane
County
304-927-5200

Jackson
County
304-372-6833

Wirt
County
304-275-3301

Ritchie
County
304-643-3996

Tyler
County
304-652-1319

Substance
Abuse
304-295-5665

Amity
Center
304-485-1781

Westbrook Health Services

Indirect Cost Rate Proposal

Year Ending June 30, 2013

DHHR - Finance

MAR 18 2014

Date Received



Rea & Associates

www.reacpa.com

CONTENTS

	<u>PAGE</u>
Independent Accountant’s Report	1
Statement of Indirect Cost Rate Proposal	2
Statement of Direct and Indirect Costs	3
Notes to Statements of Indirect Cost Rate Proposal and Direct and Indirect Costs	4-5
Certificate of Indirect Costs	6



Rea & associates

Wrighter, P.A.

November 26, 2013

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

INDEPENDENT ACCOUNTANT'S REPORT

We have examined Westbrook Health Services Inc.'s (the "Organization") Statement of Indirect Cost Rate Proposal for the year ending June 30, 2014 and the Statement of Direct and Indirect Costs for the year ended June 30, 2013 for compliance with the Office of Management and Budget (OMB) Circular A-122, *Cost Principles for Nonprofit Organizations*. Management is responsible for the Organizations's compliance with those requirements. Our responsibility is to express an opinion on the Organization's compliance 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 about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Organization's compliance with specified requirements.

In our opinion, the Organization complied, in all material respects, with the aforementioned requirements for the above referenced years ended.

Rea & Associates, Inc.

Rea & Associates, Inc.

WESTBROOK HEALTH SERVICES, INC.
STATEMENT OF INDIRECT COST RATE PROPOSAL
FOR THE YEAR ENDED JUNE 30, 2014

Indirect costs incurred for the year ended June 30, 2013	<u>\$ 3,515,707</u>
Direct costs incurred for the year ended June 30, 2013	<u>\$ 18,137,911</u>
Proposed indirect cost rate for the year ending June 30, 2014	<u>19.4%</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, 2013

	Total Costs	Direct Costs	Unallowable Costs	Indirect Costs
Salaries and wages	\$ 13,676,584	\$ 11,703,831	\$ -	\$ 1,972,753
Fringe benefits and payroll taxes	2,742,714	\$ 2,230,729	\$ -	\$ 511,985
Contracted services	1,520,403	\$ 1,302,820	\$ 40,274	\$ 177,309
Medicaid taxes	764,922	\$ 759,495	\$ -	\$ 5,427
Travel	558,611	\$ 533,958	\$ -	\$ 24,653
Depreciation	492,235	\$ 237,954	\$ -	\$ 254,281
Maintenance	340,055	\$ 182,759	\$ -	\$ 157,296
Rental	308,704	\$ 235,269	\$ -	\$ 73,435
Program operations and supplies	281,879	\$ 206,129	\$ -	\$ 75,750
Utilities	264,440	\$ 236,490	\$ -	\$ 27,950
Telephones and pagers	190,695	\$ 153,602	\$ -	\$ 37,093
Food products	155,912	\$ 149,004	\$ -	\$ 6,908
Insurance	133,527	\$ 26,690	\$ -	\$ 106,837
Staff training	77,921	\$ 57,954	\$ -	\$ 19,967
Miscellaneous	77,867	\$ 53,132	\$ (5,665)	\$ 30,400
Advertising and recruitment	59,417	\$ 47,701	\$ 11,716	\$ -
Postage	26,173	\$ 1,888	\$ -	\$ 24,285
Non-capitalized equipment	26,142	\$ 17,640	\$ -	\$ 8,502
Interest	7,403	\$ 4	\$ 7,399	\$ -
Office expense	1,738	\$ 862	\$ -	\$ 876
	<u>\$ 21,707,342</u>	<u>\$ 18,137,911</u>	<u>\$ 53,724</u>	<u>\$ 3,515,707</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

NOTE 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, 2013, 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 not 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.

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.

WESTBROOK HEALTH SERVICES, INC.

NOTES TO STATEMENTS OF INDIRECT COST RATE PROPOSAL
AND DIRECT AND INDIRECT COSTS

NOTE 1: BASIS OF PREPARATION (Continued)

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.

NOTE 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, 2014, 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.

Governmental Unit

Signature

Name of Official

Title

Date of Execution