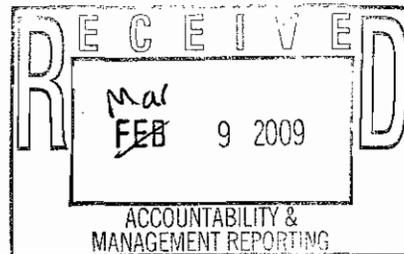


Audited Financial Statements

Westbrook  **Health Services**

Years Ended June 30, 2008 and 2007

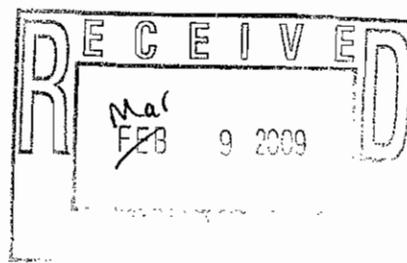


**Gibbons
& Kawash**
Certified Public Accountants

Audited Financial Statements
WESTBROOK HEALTH SERVICES, INC.
Years Ended June 30, 2008 and 2007

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INDEPENDENT AUDITORS' REPORT

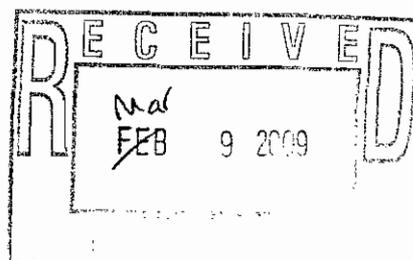
The Board of Directors
Westbrook Health Services, Inc.
Parkersburg, West Virginia

We have audited the accompanying statement of financial position of Westbrook Health Services, Inc. (the Organization) as of June 30, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Westbrook Health Services, Inc., as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

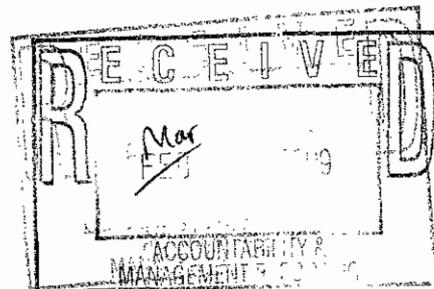
In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2008, on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.



Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Organization taken as a whole. The accompanying information on pages 14 to 21 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 schedule of expenditures of federal awards 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*. These schedules are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Stebbins & Kawash

October 31, 2008



WESTBROOK HEALTH SERVICES, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2008 and 2007

| <u>ASSETS</u> | <u>2008</u> | <u>2007</u> |
|---|---------------------|---------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 432,846 | \$ 294,730 |
| Accounts receivable, less allowance for doubtful accounts of \$157,657 in 2008 and \$147,042 in 2007 | 998,021 | 696,610 |
| Federal and state funds receivable | 559,421 | 418,171 |
| Other assets | <u>64,371</u> | <u>106,852</u> |
| Total current assets | <u>2,054,659</u> | <u>1,516,363</u> |
| Investments | 11,000 | 11,000 |
| Property and equipment, less accumulated depreciation | <u>2,995,152</u> | <u>2,797,091</u> |
| Total assets | <u>\$ 5,060,811</u> | <u>\$ 4,324,454</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Current liabilities: | | |
| Accounts payable | \$ 231,298 | \$ 336,734 |
| Salaries payable | 407,903 | 344,560 |
| Accrued expenses | 92,918 | 79,822 |
| Accrued vacation payable | 191,786 | 176,358 |
| Line of credit | 1,000,000 | 400,000 |
| Current maturities of long-term debt | 85,186 | 76,921 |
| Other liabilities | <u>25,817</u> | <u>39,770</u> |
| Total current liabilities | <u>2,034,908</u> | <u>1,454,165</u> |
| Long-term debt, less current maturities | <u>112,814</u> | <u>191,591</u> |
| Total liabilities | <u>2,147,722</u> | <u>1,645,756</u> |
| Unrestricted net assets | <u>2,913,089</u> | <u>2,678,698</u> |
| Total liabilities and net assets | <u>\$ 5,060,811</u> | <u>\$ 4,324,454</u> |

The accompanying notes are an integral part of these financial statements

WESTBROOK HEALTH SERVICES, INC

STATEMENT OF ACTIVITY

Years Ended June 30, 2008 and 2007

| | <u>2008</u> | <u>2007</u> |
|---|---------------------|---------------------|
| Support and revenue: | | |
| Operating revenues: | | |
| Patient revenue (net of discounts, adjustments, and write-offs of \$2,796,764 in 2008 and \$3,567,739 in 2007) | \$ 10,795,886 | \$ 10,363,927 |
| State and federal grants | 3,824,526 | 3,687,009 |
| Local and county grants | 193,742 | 188,026 |
| Other patient revenue | <u>146,528</u> | <u>150,845</u> |
| | 14,960,682 | 14,389,807 |
| Non-operating revenues: | | |
| Miscellaneous | <u>85,989</u> | <u>44,128</u> |
| Total unrestricted revenues | <u>15,046,671</u> | <u>14,433,935</u> |
| Expenses: | | |
| Salaries and wages | 9,231,406 | 8,635,017 |
| Fringe benefits and payroll taxes | 1,802,572 | 1,601,932 |
| Office | 115,500 | 99,143 |
| Staff training | 30,309 | 17,911 |
| Medication | 27,117 | 25,775 |
| Program supplies and operations | 281,520 | 302,990 |
| Contracted services and professional fees | 1,145,188 | 1,072,149 |
| Travel | 162,022 | 158,419 |
| Utilities | 176,715 | 182,535 |
| Telephone and pagers | 148,708 | 126,976 |
| Insurance | 136,218 | 168,956 |
| Rental | 213,064 | 228,054 |
| Food products | 113,556 | 121,459 |
| Vehicle | 131,489 | 110,420 |
| Maintenance | 224,764 | 222,059 |
| Interest | 49,037 | 129,576 |
| Advertising and recruitments | 56,638 | 23,910 |
| Non-capitalized equipment | 8,411 | - |
| Medicaid taxes | 461,793 | 446,077 |
| Miscellaneous | 44,253 | 50,507 |
| Depreciation | <u>252,000</u> | <u>222,727</u> |
| Total expenses | <u>14,812,280</u> | <u>13,946,592</u> |
| Increase in net assets | 234,391 | 487,343 |
| Unrestricted net assets, beginning of year | <u>2,678,698</u> | <u>2,191,355</u> |
| Unrestricted net assets, end of year | <u>\$ 2,913,089</u> | <u>\$ 2,678,698</u> |

The accompanying notes are an integral part of this statement

WESTBROOK HEALTH SERVICES, INC

STATEMENT OF CASH FLOWS

Years Ended June 30, 2008 and 2007

| | <u>2008</u> | <u>2007</u> |
|---|-------------------|--------------------|
| Cash flows from operating expenses: | | |
| Increase in net assets | \$ 234,391 | \$ 487,343 |
| Adjustments to reconcile change in net assets to net cash from operating activities: | | |
| Depreciation | 252,000 | 222,727 |
| Provision for bad debts | 197,378 | 163,413 |
| (Increase) decrease in: | | |
| Accounts receivable | (498,789) | 406,655 |
| Federal and state funds | (141,250) | (186,506) |
| Other assets | 42,481 | 1,102 |
| Increase (decrease) in: | | |
| Accounts payable | (105,436) | 5,251 |
| Salaries payable | 63,343 | 68,361 |
| Accrued expenses | 13,096 | (27,855) |
| Accrued vacation payable | 15,428 | 43,281 |
| Other liabilities | <u>(13,953)</u> | <u>693</u> |
| Net cash provided by operating activities | <u>58,689</u> | <u>1,184,465</u> |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | <u>(450,061)</u> | <u>(127,195)</u> |
| Net cash used in investing activities | <u>(450,061)</u> | <u>(127,195)</u> |
| Cash flows from financing activities: | | |
| Net proceeds from (payments on) line of credit | 600,000 | (1,000,000) |
| Principal payments on long-term debt | <u>(70,512)</u> | <u>(67,818)</u> |
| Net cash provided by (used in) financing activities | <u>529,488</u> | <u>(1,067,818)</u> |
| Net increase (decrease) in cash and cash equivalents | 138,116 | (10,548) |
| Cash and cash equivalents, beginning of year | <u>294,730</u> | <u>305,278</u> |
| Cash and cash equivalents, end of year | <u>\$ 432,846</u> | <u>\$ 294,730</u> |

The accompanying notes are an integral part of these financial statements

WESTBROOK HEALTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

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

Westbrook Health Services, Inc. (the Organization) is a nonprofit, nonstock corporation organized under the laws of the State of West Virginia and exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is classified as other than a private foundation. The Organization was formed to plan, develop, provide, and maintain comprehensive, community-based mental health and substance abuse services for the West Virginia counties of Calhoun, Jackson, Pleasants, Ritchie, Roane, Tyler, Wirt, and Wood, and to provide consultation and technical assistance to community groups and organizations concerning the delivery of mental health and substance abuse services.

Basis of Accounting

Revenues and expenses are recognized on the accrual basis of accounting. Accordingly, revenues are recognized when earned, and expenses are recognized when the obligation is incurred. The Organization records grant monies received in advance as refundable advances and recognizes revenue as qualifying expenditures are incurred.

Cash and Cash Equivalents

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

Net Patient Service Revenue

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

Charity Care

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

WESTBROOK HEALTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)**1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Property and Equipment

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

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

Refundable Advances

Refundable advances result from funds received by the Organization in exchange for service but not yet expended for those services by the end of the Organization's fiscal year end. Such amounts are generally expended within one year.

Contributions

The Organization 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 proposed restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions that are received with donor restrictions that are fulfilled in the same year are classified as unrestricted activity in that year.

Advertising

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

Reclassifications

Certain 2007 balances have been reclassified to conform with the 2008 presentation.

Use of Estimates

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

WESTBROOK HEALTH SERVICES, INC.

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

Property and equipment consisted of the following at June 30, 2008 and 2007:

| | <u>2008</u> | <u>2007</u> |
|---------------------------------------|---------------------|---------------------|
| Property, buildings, and improvements | \$ 4,287,691 | \$ 4,235,242 |
| Office furniture and fixtures | 418,973 | 416,537 |
| Major moveable equipment | <u>2,165,361</u> | <u>1,770,858</u> |
| | 6,872,025 | 6,422,637 |
| Less accumulated depreciation | <u>3,876,873</u> | <u>3,625,546</u> |
| | <u>\$ 2,995,152</u> | <u>\$ 2,797,091</u> |

Depreciation expense for 2008 and 2007 was \$252,000 and \$222,727, respectively, of which \$317 and \$9,030, respectively, was attributable to fixed assets purchased during the year with state allocated funds.

Cost of property and equipment purchased with Bureau for Behavioral Health & Health Facilities grant funds and related accumulated depreciation was \$520,724 and \$375,023, respectively, at June 30, 2008, and \$516,690 and \$290,326, respectively, at June 30, 2007.

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 \$838,716 and \$806,765 at June 30, 2008 and 2007, respectively. Land provided to the Organization under this lease amounted to \$350,000 as of June 30, 2008 and 2007. 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 \$21,368 and \$14,957 at June 30, 2008 and 2007, 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 \$14,149 and \$10,946 at June 30, 2008 and 2007, respectively. The lease expires in 2043.

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 \$36,776 and \$26,269 at June 30, 2008 and 2007, respectively.

Continued use of these facilities is contingent upon the Organization continuing to provide treatment to persons who are emotionally disturbed or developmentally disabled. Management believes that it is highly unlikely the Organization would discontinue providing these services.

WESTBROOK HEALTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)**3 - LONG-TERM DEBT**

Long-term debt consisted of the following at June 30, 2008 and 2007:

| | <u>2008</u> | <u>2007</u> |
|---|-------------------|-------------------|
| Note payable to bank, payable in monthly installments of \$8,408, including interest at a variable rate of 2% above the prime commercial lending rate as established by Chase Bank (7.0% at June 30), due February 2010, secured by a deed of trust and an assignment of the construction contracts on the Spencer Projects, Spencer, West Virginia | \$ 198,000 | \$ 268,512 |
| Less current portion | <u>85,186</u> | <u>76,921</u> |
| | <u>\$ 112,814</u> | <u>\$ 191,591</u> |

Maturities of long-term debt are as follows:

| <u>June 30</u> | |
|----------------|-------------------|
| 2008 | \$ 85,186 |
| 2009 | 94,340 |
| 2010 | <u>18,474</u> |
| | <u>\$ 198,000</u> |

The Organization has a \$2,000,000 operating line of credit with a local bank, with interest payable at 5.5%. The line is secured by an assignment of state contracts, accounts receivable, grants receivable, and other personal property. At June 30, 2008 and 2007, the balance outstanding under this line of credit was \$1,000,000 and \$400,000, respectively. The line of credit expires March 1, 2009.

Cash paid for interest during the years ended June 30, 2008 and 2007, was \$49,037 and \$129,576, respectively.

4 - LEASES

The Organization leases land, buildings, postage equipment, and copiers under various operating leases expiring through 2012. Some of these leases may be cancelled with proper advance notice by the Organization. The minimum future lease obligations under the various operating leases are as follows:

WESTBROOK HEALTH SERVICES, INC

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

| <u>Fiscal Year</u> | |
|--------------------|-------------------|
| 2009 | \$ 59,571 |
| 2010 | 59,571 |
| 2011 | 59,571 |
| 2012 | <u>28,558</u> |
| | <u>\$ 207,271</u> |

Rental expense for the years ended June 30, 2008 and 2007, was \$213,064 and \$228,054, respectively.

5 - RETIREMENT PLAN

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

The West Virginia Public Employees' Retirement Plan is a defined benefit plan for which contributions are made at a rate of 10.5% and 9.5% of the employees' gross salary by the employee and the Organization, respectively. The Organization's contribution on behalf of its employees was \$17,985 and \$25,587 in 2008 and 2007, respectively.

The Westbrook Health Services, Inc., Pension Plan is a 401(k) plan for which contributions may be made by the employee up to the maximum percentage allowable, not to exceed the limits of Code Sections 401(k), 404, and 415. The Organization contributes 2% of eligible employee compensation. The Organization's contribution on behalf of its employees was \$115,065 and \$87,417 in 2008 and 2007, respectively.

6 - THIRD-PARTY TRANSACTIONS AND ECONOMIC DEPENDENCY

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

WESTBROOK HEALTH SERVICES, INC

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

Revenue recognized from client services is as follows for the year ended June 30, 2008:

| | Gross Patient Revenue | Less: Contractual Adjustments, Charity Care, and Bad Debt Expense | Net Patient Revenue |
|--------------------------------|-----------------------------|---|------------------------|
| Medicaid | \$ 3,584,127 | \$ 529,863 | \$ 3,054,264 |
| Medicaid waiver | 7,010,035 | 54,066 | 6,955,969 |
| Medicare | 206,164 | 30,018 | 176,146 |
| Private pay | 187,596 | 16,361 | 171,235 |
| Insurance | 291,051 | 49,189 | 241,862 |
| Managed care | 13,849 | 10,366 | 3,483 |
| Other (including charity care) | 2,272,822 | 1,909,523 | 363,299 |
| Bad debt expense | - | 170,372 | (170,372) |
| Total | <u>\$ 13,565,644</u> | <u>\$ 2,769,758</u> | <u>\$ 10,795,886</u> |

Revenue recognized from client services is as follows for the year ended June 30, 2007:

| | Gross Patient Revenue | Less: Contractual Adjustments, Charity Care, and Bad Debt Expense | Net Patient Revenue |
|--------------------------------|-----------------------------|---|------------------------|
| Medicaid | \$ 3,820,722 | \$ 939,668 | \$ 2,881,054 |
| Medicaid waiver | 6,933,683 | 88,341 | 6,845,342 |
| Medicare | 122,994 | 38,770 | 84,224 |
| Private pay | 269,461 | 35,099 | 234,362 |
| Insurance | 306,331 | 65,175 | 241,156 |
| Managed care | 16,858 | 5,562 | 11,296 |
| Other (including charity care) | 2,461,845 | 2,231,939 | 229,906 |
| Bad debt expense | - | 163,413 | (163,413) |
| Total | <u>\$ 13,931,894</u> | <u>\$ 3,567,967</u> | <u>\$ 10,363,927</u> |

WESTBROOK HEALTH SERVICES, INC

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

Financial instruments which potentially expose the Organization to significant concentrations of credit risk consist of cash and accounts receivable

To limit concentration of credit risk associated with cash, the Organization places its cash with high quality financial institutions. At times, the balances in such institutions may exceed amounts covered by FDIC insurance. The Organization receives payments for services from Medicaid, Medicare, private payors, and certain governmental agencies. The ability of these parties to honor their obligations is partially dependent upon the economic condition of the State of West Virginia and the health insurance industry. The Organization maintains allowances for potential losses, which, when realized, have been within the range of management's expectations.

8 - RELATED PARTIES

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

9 - COMMITMENTS AND CONTINGENCIES

The Organization established a self-insurance program for state unemployment compensation, effective January 1, 1991, whereby the Organization agrees to pay, on a reimbursement basis in lieu of contributions to the Department of Employment Security, for benefits paid to former employees of the Organization. At June 30, 2008, the Organization was not liable for benefit payments material to the financial statements.

Approximately 20% of the Organization's employees are represented by the United Food & Commercial Workers Union, which has entered into an agreement with the Organization. The collective bargaining agreement expired in May 2008. The Organization is currently scheduling negotiations to enter into a new agreement. Under the terms of this agreement, the workforce will remain in place until a new agreement is reached or the contract is terminated.

WESTBROOK HEALTH SERVICES, INC

NOTES TO FINANCIAL STATEMENTS
(Continued)**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, 2008 and 2007, are as follows:

| | <u>2008</u> | <u>2007</u> |
|----------------------------|----------------------|----------------------|
| Program services | \$ 12,444,644 | \$ 12,210,566 |
| General and administrative | <u>2,367,636</u> | <u>1,736,026</u> |
| | <u>\$ 14,812,280</u> | <u>\$ 13,946,592</u> |

11

ACCOMPANYING INFORMATION

WESTBROOK HEALTH SERVICES, INC

SCHEDULE OF EXPENDITURES OF STATE AWARDS

Year Ended June 30, 2008

| Grantor/Program Title | Grantor's Number | Program or Award Amount |
|---|------------------------------|-------------------------------|
| WV Department of Health and Human Resources, Bureau for Behavioral Health and Health Facilities (BHHF): | | |
| SA - Adult Residential Treatment | 0525-2008-2891-219-252 | \$ 91,757 |
| Family Support | 0525-2008-2870-221-252 | 80,912 |
| Community Support | 0525-2008-2874-803-252 | 208,050 |
| Support Alternative Services | 0525-2008-3041-219-252 | 421,704 |
| Community Based Services | 0525-2008-2923-219-252 | 88,000 |
| PI Services | 0525-2008-2885-219-252 | 126,000 |
| Uncompensated Care | 0525-2008-3065-219-252 | 565,591 |
| MH - Client Core Services | 0525-2008-2851-219-252 | 438,840 |
| DD - Client Core Services | 0525-2008-2867-219-252 | 125,200 |
| SA - Women | 0525-2008-2890-219-252 | 256,500 |
| SA - Adolescent Residential Services | 0525-2008-2892-219-252 | 55,539 |
| Care Coordinators Improvement | 0525-2008-3701-219-252 | 384,270 |
| Community Supports Improvement | 0525-2008-3702-219-252 | 124,045 |
| Improvement of Access to Services Program | 0525-2007-3702-219-252 | 25,000 |
| Wood County Group Home | 0525-2008-3703-335-252 | 563,460 |
| Case Management | 0525-2008-2851-219-252 | 25,000 |
| Path Grant | 8723-2008-2852-096-128-15337 | 25,000 |
| Substance Abuse - Services | 8793-2008-2885-096-128-14152 | 119,305 |
| Substance Abuse - Women | 8793-2008-2890-096-128-14152 | 191,974 |
| Substance Abuse - Residential | 8793-2008-2891-096-128-14152 | 223,019 |
| Substance Abuse - Adolescent | 8793-2008-2892-096-128-14152 | <u>100,000</u> |
| Total BHHF | | <u>4,239,166</u> |
| Total State Awards | | <u>\$ 4,239,166</u> |

See Independent Auditors' Report.

| <u>Extended P.O.</u> | <u>Refundable Advances June 30, 2007</u> | <u>Amount Collected in Current Year</u> | <u>Net Disbursements/ Expenditures</u> | <u>Refundable Advances June 30, 2008</u> |
|----------------------|--|---|--|--|
| \$ - | \$ - | \$ 82,326 | \$ 91,757 | \$ - |
| - | - | 58,025 | 79,538 | - |
| - | - | 175,021 | 205,486 | - |
| - | - | 421,704 | 421,704 | - |
| - | - | 67,692 | 87,232 | - |
| - | - | 94,069 | 114,359 | - |
| - | - | 565,591 | 565,591 | - |
| - | - | 438,840 | 438,840 | - |
| - | - | 125,200 | 125,200 | - |
| - | - | 233,132 | 256,500 | - |
| - | - | 35,461 | 53,247 | - |
| - | - | 346,001 | 384,270 | - |
| - | - | 111,839 | 124,045 | - |
| - | - | 14,882 | 25,000 | - |
| - | - | 46,122 | 137,088 | - |
| - | - | 20,830 | 25,000 | - |
| - | - | 17,883 | 25,000 | - |
| - | - | 66,939 | 119,305 | - |
| - | - | 118,862 | 191,974 | - |
| - | - | 144,527 | 223,019 | - |
| - | - | 72,688 | 100,000 | - |
| - | - | <u>3,257,634</u> | <u>3,794,155</u> | - |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,257,634</u> | <u>\$ 3,794,155</u> | <u>\$ -</u> |

WESTBROOK HEALTH SERVICES, INC

SCHEDULE OF BHHF FUNDED FIXED ASSETS

Year Ended June 30, 2008

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

(Continued)

WESTBROOK HEALTH SERVICES, INC.

SCHEDULE OF BHHF FUNDED FIXED ASSETS
(Continued)

Year Ended June 30, 2008

| Provider ID # & Description | Date Acquired | Cost |
|-----------------------------------|---------------|------------|
| 572 2005 GMC 12 Passenger Van | 06/28/04 | 19,059 |
| 573 2005 GMC 12 Passenger Van | 06/28/04 | 24,299 |
| 574 2005 GMC 12 Passenger Van | 06/28/04 | 24,902 |
| 577 2005 GMC 12 Passenger Van | 10/28/04 | 25,277 |
| 578 2005 GMC 12 Passenger Van | 10/28/04 | 25,881 |
| 580 2005 GMC 12 Passenger Van | 10/28/04 | 20,037 |
| 582 2005 GMC 12 Passenger Van | 10/28/04 | 27,060 |
| 600 2005 Buick Lacrosse | 06/30/05 | 21,393 |
| 601 Computer Equip. - Insight | 06/30/05 | 19,877 |
| 602 Computer Equip. - Source Code | 06/30/05 | 5,597 |
| 603 Appliances for 16th Street | 06/30/05 | 3,308 |
| 604 2005 Dodge Caravan | 06/30/05 | 4,564 |
| 607 Washer and Dryer | 03/31/06 | 2,014 |
| 608 Laptop Computer | 03/31/06 | 2,255 |
| 611 Garden Tractor | 04/24/06 | 2,331 |
| 612 Ice Maker | 04/26/06 | 1,776 |
| 803 Computer Equip - Insight | 08/09/06 | 10,512 |
| 803 Computer Equip - Source Code | 08/18/06 | 2,609 |
| 803 Computer Equip - Source Code | 08/18/06 | 2,399 |
| 803 2004 Hyundai | 11/10/06 | 11,090 |
| 803 2005 Toyota Camry | 11/10/06 | 14,244 |
| 703 2003 Hyundai Sonata | 11/13/06 | 9,099 |
| 703 2000 Toyota Camry | 11/13/06 | 8,889 |
| 624 2001 Chevy Impala | 11/13/06 | 6,736 |
| 129 5310 Van for Spencer | 01/30/07 | 8,589 |
| 632 Tilt N Space Shower Curtain | 07/30/07 | 1,298 |
| 607 Furniture for lobby | 02/25/08 | 2,316 |
| 608 Furniture for lobby | 04/29/08 | 120 |
| | | \$ 520,724 |

See Independent Auditors' Report

WESTBROOK HEALTH SERVICES, INC.

SCHEDULE OF BHHF FUNDING STATUS

Year Ended June 30, 2008

| State Account Number | Current Year Award Amount | Award Extended From Prior Year | Refundable Advances July 1, 2007 |
|------------------------------|---------------------------------|---|--|
| 0525-2008-2891-219-252 | \$ 91,757 | \$ - | \$ - |
| 0525-2008-2870-221-252 | 80,912 | - | - |
| 0525-2008-2874-803-252 | 208,050 | - | - |
| 0525-2008-3041-219-252 | 421,704 | - | - |
| 0525-2008-2923-219-252 | 88,000 | - | - |
| 0525-2008-2885-219-252 | 126,000 | - | - |
| 0525-2008-3065-219-252 | 565,591 | - | - |
| 0525-2008-2851-219-252 | 438,840 | - | - |
| 0525-2008-2867-219-252 | 125,200 | - | - |
| 0525-2008-2890-219-252 | 256,500 | - | - |
| 0525-2008-2892-219-252 | 55,539 | - | - |
| 0525-2008-3701-219-252 | 384,270 | - | - |
| 0525-2008-3702-219-252 | 124,045 | - | - |
| 0525-2007-3702-219-252 | 25,000 | - | - |
| 0525-2008-3703-335-252 | 563,460 | - | - |
| 0525-2008-2851-219-252 | 25,000 | - | - |
| 8723-2008-2852-096-128-15337 | 25,000 | - | - |
| 8793-2008-2885-096-128-14152 | 119,305 | - | - |
| 8793-2008-2890-096-128-14152 | 191,974 | - | - |
| 8793-2008-2891-096-128-14152 | 223,019 | - | - |
| 8793-2008-2892-096-128-14152 | 100,000 | - | - |
| | <u>\$ 4,239,166</u> | <u>\$ -</u> | <u>\$ -</u> |

See Independent Auditors' Report.

| Amount Earned and Billed | Refundable Advances June 30, 2008 | Amount Not Billed | Amount Collected |
|--------------------------------|---|----------------------|---------------------|
| \$ 91,757 | \$ - | \$ - | \$ 82,326 |
| 79,538 | - | - | 58,025 |
| 205,486 | - | - | 175,021 |
| 421,704 | - | - | 421,704 |
| 87,232 | - | - | 67,692 |
| 114,359 | - | - | 94,069 |
| 565,591 | - | - | 565,591 |
| 438,840 | - | - | 438,840 |
| 125,200 | - | - | 125,200 |
| 256,500 | - | - | 233,132 |
| 53,247 | - | - | 35,461 |
| 384,270 | - | - | 346,001 |
| 124,045 | - | - | 111,839 |
| 25,000 | - | - | 14,882 |
| 137,088 | - | - | 46,122 |
| 25,000 | - | - | 20,830 |
| 25,000 | - | - | 17,883 |
| 119,305 | - | - | 66,939 |
| 191,974 | - | - | 118,862 |
| 223,019 | - | - | 144,527 |
| 100,000 | - | - | 72,688 |
| <u>\$ 3,794,155</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,257,634</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, 2008

ASSETS

| | |
|--|---------------------|
| CURRENT ASSETS: | |
| 1. Cash | \$ 426,335 |
| 2. Short Term Investments | 17,686 |
| 3. Accounts Receivable - BHHF | 529,181 |
| 4. Accounts Receivable - Client | 74,665 |
| 5. Accounts Receivable - Medicaid | 398,294 |
| 6. Accounts Receivable - Medicaid MR/DD Waiver | 465,134 |
| 7. Accounts Receivable - Other | 90,173 |
| - Unapplied Cash | - |
| 8 Inventory | - |
| 9 Prepaid/Other | <u>63,669</u> |
| 10 TOTAL CURRENT ASSETS | <u>2,065,137</u> |
| (Total of lines 1-9) | |
| NON-CURRENT ASSETS: | |
| FIXED ASSETS | |
| 11. Property, Land, and Equipment - BHHF | 2,823,846 |
| 12. Less Accumulated Depreciation | (1,214,398) |
| 13 Property, Land, and Equipment - Other | 4,048,582 |
| 14 Less Accumulated Depreciation | <u>(2,662,878)</u> |
| 15 Total Property, Land, and Equipment (NET) | 2,995,152 |
| OTHER NON-CURRENT ASSETS: | |
| 16. Long-Term Investments | - |
| 17. Other | <u>522</u> |
| 18. TOTAL ASSETS | <u>\$ 5,060,811</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, 2008

LIABILITIES

CURRENT LIABILITIES:

| | | |
|----|--|------------------|
| 19 | Accounts Payable | \$ 231,298 |
| 20 | Taxes Payable | 51,538 |
| 21 | Line of Credit - Payable | 1,000,000 |
| 22 | Short-Term Notes Payable | 85,186 |
| 23 | Accrued Expenses | 608,049 |
| 24 | Other Current Liabilities | <u>58,837</u> |
| 25 | TOTAL CURRENT LIABILITIES (Total of lines 19-24) | 2,034,908 |

LONG-TERM LIABILITIES

| | | |
|----|---|------------------|
| 26 | Long-Term Notes Payable | 112,814 |
| 27 | Other Long-Term Liabilities | <u>-</u> |
| 28 | TOTAL LIABILITIES (Total of lines 25, 26, and 27) | 2,147,722 |

NET ASSETS

| | | |
|----|--|----------------------------|
| 29 | Unrestricted Net Assets | 2,913,089 |
| 30 | Temporarily Restricted Net Assets | - |
| 31 | Permanently Restricted Net Assets | <u>-</u> |
| 32 | TOTAL LIABILITIES AND NET ASSETS (Total of lines 28-31) | <u>\$ 5,060,811</u> |

See Independent Auditors' 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

Year Ended June 30, 2008

REVENUE AND SUPPORT

| | | |
|------|---|--------------------|
| 1 | Charity Care | |
| 1a. | Charity Care - Account 4311.1 | \$ (496,709) |
| 1b. | Charity Care - Account 4311.2 | (563,406) |
| 1c. | Charity Care - Account 4312.1 | |
| 1d. | Charity Care - Account 4312.2 | (1,584) |
| 1e. | Charity Care - Account 4314.1 | - |
| 1f. | Charity Care - Account 4314.2 | - |
| 1g. | Charity Care - Account 4315.1 | (561,146) |
| 1h. | Contractual Write-Off Charity - Account 4337.1 | (269,307) |
| 1i. | Charity Care Revenue - Account 4329 | 1,330,578 |
| 1j. | Support/Alternative Svcs Rev. - Account 4358 | <u>561,146</u> |
| | Total | <u>(428)</u> |
| 2. | Gross Client Service Revenue | 13,565,642 |
| 3. | Contractual Adjustments (Target Funds) | (194,160) |
| 3a. | Contractual Adjustments (Non-Target Funds) | <u>(2,405,225)</u> |
| 5. | Net Client Service Revenue | <u>10,966,257</u> |
| | Net Client Service Revenue: | |
| 6. | Medicaid (Target Funds) | |
| 6a. | Medicaid (Non-Target Funds) | 3,121,976 |
| 7. | Medicaid MR/DD Waiver (Non-Target Funds) | 6,955,969 |
| 8. | ICF/MR (Non-Target Funds) | |
| 9. | Private Pay (Non-Target Funds) | 157,843 |
| 9a. | Private Pay (BHFF Target Funds) | |
| 9b. | Private Pay (BHFF Non-Target Funds) | |
| 10. | Other Client Service Revenue (Target Funds) | |
| 10a. | Other Client Service Revenue (Non-Target Funds) | <u>730,469</u> |
| 11. | Total Net Client Service Revenue | 10,966,257 |
| | (Line 11 must agree with Line 5) | |

(Continued)

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

Year Ended June 30, 2008

| | | |
|-----------------------------|---|----------------------|
| | | \$ 3,724,508 |
| 12 | BHHF Support | 169,120 |
| 13 | Other/Public Support | <u>357,157</u> |
| 14 | Other | |
| 15 | TOTAL REVENUE AND SUPPORT (Total of lines 11-14) | <u>\$ 15,217,042</u> |
| EXPENSES | | |
| 16 | Salaries | \$ 9,152,636 |
| 17 | Fringe Benefits | 1,854,894 |
| 18 | Contractual Services | 1,199,176 |
| 19 | Provider Tax | 461,793 |
| 19a | Bad Debt | 170,371 |
| 19b | Bad Debt (BHHF Target Funds) | - |
| 19c | Bad Debt (BHHF Non-Target Funds) | - |
| 20 | Depreciation Expense | 252,000 |
| 21 | Other Expenses | <u>1,891,781</u> |
| 22 | TOTAL EXPENSES (Total of lines 16-21) | <u>14,982,651</u> |
| 23 | NET INCOME (LOSS) (Line 15 minus line 22) | <u>\$ 234,391</u> |

See Independent Auditors' Report

WESTBROOK HEALTH SERVICES, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2008

| <u>Federal Grantor/Pass-through Grantor/Program Title</u> | <u>Federal CFDA Number</u> |
|--|--------------------------------|
| <u>Major Program</u> | |
| <u>Department of Health and Human Services:</u> | |
| Passed through State of West Virginia Department of Health and Human Resources, Bureau for Behavioral Health and Health Facilities: | |
| Federal Block Grants: | |
| Substance Abuse Services | 93 959 |
| Total Major Program | |
| <u>Other Federal Awards</u> | |
| <u>Department of Health and Human Services:</u> | |
| Passed through State of West Virginia Department of Health and Human Resources, Bureau for Behavioral Health and Health Facilities: | |
| Projects for Assistance in Transition from Homelessness (PATH) | 93 150 |
| Total Federal Awards | |

See Independent Auditors' Report.

| <u>Pass-through Grantor's Number</u> | <u>Program or Award Amount</u> | <u>Refundable Advances June 30, 2007</u> | <u>Disbursements/ Expenditures</u> | <u>Refundable Advances June 30, 2008</u> |
|--|--|--|--|--|
| 8793-2008-2885-096-128 | \$ 119,305 | \$ - | \$ 119,305 | \$ - |
| 8793-2008-2890-096-128 | 191,974 | - | 191,974 | - |
| 8793-2008-2891-096-128 | 223,019 | - | 223,019 | - |
| 8793-2008-2892-096-128 | <u>100,000</u> | <u>-</u> | <u>100,000</u> | <u>-</u> |
| | 634,298 | - | 634,298 | - |
| | | | | |
| 8723-2008-2852-096-128 | <u>25,000</u> | <u>-</u> | <u>25,000</u> | <u>-</u> |
| | <u>\$ 659,298</u> | <u>\$ -</u> | <u>\$ 659,298</u> | <u>\$ -</u> |

WESTBROOK HEALTH SERVICES, INC.

NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2008

1 - BASIS OF PRESENTATION

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

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of Westbrook Health Services, Inc. (the Organization) as of and for the year ended June 30, 2008, and have issued our report thereon dated October 31, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting. The significant deficiency is described in the accompanying schedule of findings and questioned costs as item 08-1.

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

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

Compliance and Other Matters

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

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

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



October 31, 2008

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of Westbrook Health Services, Inc. (the Organization) with the types of compliance requirements described in the U S Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

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

In our opinion, the Organization complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the Organization is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal

control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

Abbott & Kawash

October 31, 2008

WESTBROOK HEALTH SERVICES, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2008

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' reports issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ___ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? X Yes ___ No
- Noncompliance material to financial statements noted? ___ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ___ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ___ Yes X No

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

Any audit findings disclosed that are required to be reported in accordance with section 501(a) of Circular A-133? ___ Yes X No

Identification of Major programs:

CFDA Number

Name of Federal Program or Cluster

93 959

Substance Abuse Services

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? ___ Yes X No

WESTBROOK HEALTH SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

Section II - Financial Statement Findings

08-1 SUPERVISORY REVIEW

Criteria

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

Condition

Accrued liabilities and related expense accounts contained misstatements due to the lack of appropriate reconciliations of account balances

Cause

Controls related to reconciliation and review of key accounts were not functioning as designed.

Effect

The related financial statement balances were not correctly reported.

Recommendation

We recommend that key accounts be reconciled on a monthly basis to ensure the accuracy of the financial statements. The reconciliation should be reviewed by someone other than the preparer and the review should be documented

Views of Responsible Officer

Processes have been put in place for the accountant to audit the trial balance at the end of closing each month with the Chief Financial Officer to sign off on the reconciliation.

WESTBROOK HEALTH SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Year Ended June 30, 2008

Section III - Federal Award Findings and Questioned Costs

No findings noted.

WESTBROOK HEALTH SERVICES, INC.
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2007

2007-1

Criteria:

Accurate financial reporting consists of the methods and records established to record, process, summarize, and report organizational transactions on a consistent and timely basis. The integrity of this information affects management's ability to make appropriate decisions in planning and conducting the Organization's activities.

Condition:

During our audit, we noted that the staff accountant creates and posts journal entries in the general ledger without supervisor approval or review. As a result, we noted one instance in which general journal entries caused the accounts receivable general ledger control account to be out of balance with the accounts receivable subledger. Supervisory review and approval would likely have identified the error prior to posting the entry.

Current Status:

No similar findings were noted in the 2008 audit.

October 31, 2008

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

In planning and performing our audit of the financial statements of Westbrook Health Services, Inc. (the Organization) as of and for the year ended June 30, 2008, we considered the Organization's internal control to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

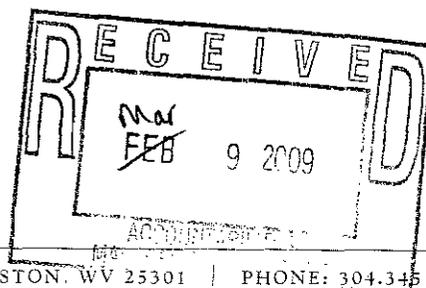
However, during our audit we became aware of several matters that are opportunities for strengthening internal control and operating effectiveness. This letter summarizes our comments and suggestions regarding those matters. We have reported on the Organization's internal control in a separate report dated October 31, 2008. This letter does not affect our report dated October 31, 2008, on the financial statements of the Organization.

SUPERVISORY REVIEW OF EXPENSE REPORTS

We noted that the Executive Director's expense reports are not being reviewed and approved by personnel other than the Executive Director prior to reimbursement. This creates an opportunity for errors to occur and go undetected. We recommend that a designated Board member review and approve the Executive Director's expense reports. This review and approval should be documented with the reviewer's initials and the date the review was performed.

USER RIGHTS

When new employees are hired, the Human Resources (HR) Department communicates the employee's user profile to the Information Technology (IT) Department by electronic mail. We recommend that this information be communicated to the IT Department in a more formal manner, such as a letter or form signed by HR Department personnel. We also suggest a periodic review of user rights be performed for all personnel.



NEW IRS REPORTING REQUIREMENTS

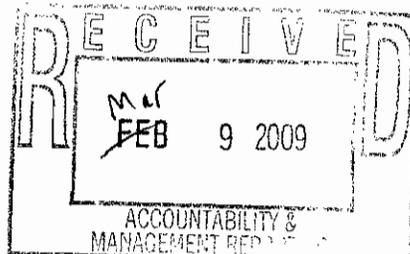
The IRS has recently released a final draft of the revised Form 990, which the Organization will be required to submit for the year ended June 30, 2009. The revised form was designed to enhance transparency, and includes a new section designed to provide the reader with an understanding of the organization's policies and procedures on governance, management, and financial reporting. Exempt organizations will be required to address such matters as whether they have a whistleblower policy, whether the governing body has a policy for reviewing the Form 990 before it is filed, and how the compensation of key executives was determined. While many of the questions pertain to matters which represent best practices rather than IRS compliance requirements, we recommend that management review the new form and consider whether changes to the existing policies and procedures are warranted, considering the public availability of the Organization's Form 990.

We will review the status of these comments during our next audit engagement. We have already discussed these suggestions with management, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of the matters, or to assist you in implementing the recommendations.

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

Sincerely,

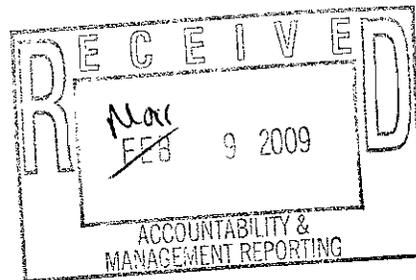
Subono & Kawash



Indirect Cost Rate Proposal
WESTBROOK HEALTH SERVICES, INC.
Year Ending June 30, 2009

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INDEPENDENT ACCOUNTANTS' REPORT

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

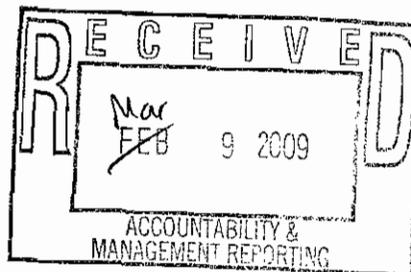
We have examined the accompanying Statement of Indirect Cost Rate Proposal for Westbrook Health Services, Inc (the Organization) for the year ending June 30, 2009, and the Statement of Direct and Indirect Costs for the year ended June 30, 2008. The Organization's management is responsible for the statements referred to above. Our responsibility is to express an opinion based on our examination.

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

In our opinion, the statements referred to above present fairly, in all material respects, the proposed indirect cost rate for the year ending June 30, 2009, and the direct and indirect costs for the year ended June 30, 2008, for Westbrook Health Services, Inc., in accordance with the requirements of Office of Management and Budget (OMB) Circular A-122, *Cost Principles for Nonprofit Organizations*.

Gibbons & Kawash

February 19, 2009



WESTBROOK HEALTH SERVICES, INC.
STATEMENT OF INDIRECT COST RATE PROPOSAL
For the Year Ended June 30, 2009

| | |
|---|----------------------|
| Indirect costs incurred for the year ended June 30, 2008 | <u>\$ 2,307,920</u> |
| Direct costs incurred for the year ended June 30, 2008 | <u>\$ 12,445,046</u> |
| Proposed indirect cost rate for the year ending June 30, 2009 | <u>18.54%</u> |

WESTBROOK HEALTH SERVICES, INC.

STATEMENT OF DIRECT AND INDIRECT COSTS

For the Year Ended June 30, 2008

| | Total Costs | Direct Costs | Unallowable Costs | Indirect Costs |
|--|----------------------|----------------------|----------------------|---------------------|
| Salaries and wages | \$ 9,231,406 | \$ 8,108,983 | \$ - | \$ 1,122,423 |
| Fringe benefits and payroll taxes | 1,802,572 | 1,445,473 | - | 357,099 |
| Office | 93,211 | 32,507 | 53 | 60,651 |
| Interest | 49,037 | 17,339 | 31,698 | - |
| General and program supplies | 95,172 | 68,986 | 40 | 26,146 |
| Staff training | 30,309 | 24,902 | - | 5,407 |
| Computer supplies and maintenance | 129,703 | 41,323 | - | 88,380 |
| Dues, subscriptions, and books | 17,059 | 478 | - | 16,581 |
| Insurance | 136,218 | - | - | 136,218 |
| Medicaid tax | 461,793 | 459,616 | - | 2,177 |
| Licenses and taxes | 10,696 | 2,848 | 2,055 | 5,793 |
| Maintenance and housekeeping | 95,061 | 57,117 | - | 37,944 |
| Utilities | 176,715 | 129,680 | - | 47,035 |
| Telephone | 148,708 | 77,495 | - | 71,213 |
| Travel | 162,022 | 148,459 | - | 13,563 |
| DUI program | 15,060 | 15,060 | - | - |
| Rental | 213,064 | 165,064 | - | 48,000 |
| Drug screening | 9,662 | 8,822 | - | 840 |
| Food products | 112,557 | 106,164 | - | 6,393 |
| Family support stipend | 53,164 | 53,164 | - | - |
| Postage | 20,119 | 315 | - | 19,804 |
| Contracted services and professional fees | 1,146,187 | 1,043,372 | - | 102,815 |
| Transportation - wavier | 108,897 | 108,897 | - | - |
| OSHA | 2,170 | 1,888 | - | 282 |
| Advertising and recruitment | 56,638 | 31,394 | 25,244 | - |
| Vehicle | 131,489 | 126,346 | - | 5,143 |
| Minor equipment | 8,411 | 7,847 | - | 564 |
| Depreciation | 252,000 | 129,921 | - | 122,079 |
| Miscellaneous | 43,180 | 31,586 | 224 | 11,370 |
| | <u>\$ 14,812,280</u> | <u>\$ 12,445,046</u> | <u>\$ 59,314</u> | <u>\$ 2,307,920</u> |

The accompanying notes are an integral part of this statement

WESTBROOK HEALTH SERVICES, INC

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

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

The Statement of Direct and Indirect Costs includes all expenses incurred by the Organization during the year ended June 30, 2008, 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, development, marketing and finance departments.

Unallowable costs

Unallowable costs included in total costs include advertising, fundraising, and interest.

Salaries and wages

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

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

Fringe benefits and payroll taxes

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

WESTBROOK HEALTH SERVICES, INC.

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

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

General and program supplies

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

Utilities

Utility expenses 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

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

2 - ALLOCATION METHOD

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

WESTBROOK HEALTH SERVICES, INC.

CERTIFICATE OF INDIRECT COSTS

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

- (1) All costs included in this proposal to establish billing for final indirect costs rates for the year ending June 30, 2009, are allowable in accordance with the requirements of the Federal awards to which they apply and OMB Circular A-122, *Cost Principles for Nonprofit Organizations*. Unallowable costs have been adjusted for in allocating costs as indicated in the cost allocation plan
- (2) All costs included in this proposal are properly allocable to Federal awards on the basis of a beneficial or causal relationship between the expenses incurred and the agreements to which they are allocated in accordance with applicable requirements. Further, the same costs that have been treated as indirect costs have not been claimed as direct costs. Similar types of costs have been accounted for consistently and the Federal Government will be notified of any accounting changes that would affect the predetermined rate.

I declare that the foregoing is true and correct.

Westbrook Health Services, Inc.
Governmental Unit

Signature

Name of Official

Title

Date of Execution