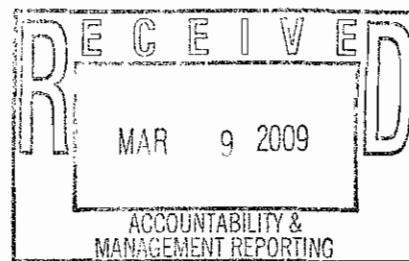


WHEELING HEALTH RIGHT, INC.

WHEELING, WEST VIRGINIA

AUDIT REPORT

JUNE 30, 2008



WHEELING HEALTH RIGHT, INC.
JUNE 30, 2008

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Independent Auditor's Report

Wheeling Health Right, Inc.
Wheeling, West Virginia

We have audited the accompanying statement of financial position of Wheeling Health Right, Inc. (a nonprofit organization) as of June 30, 2008, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 the Organization, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, it is the Organization's policy not to record inventories of pharmaceuticals and medical supplies on hand as assets in the statement of financial position. In our opinion, these items should be recorded at the lower of cost or donated value, or market in order to conform to accounting principles generally accepted in the United States of America ("U S GAAP"). The effect on the financial statements of this practice is not readily determinable.

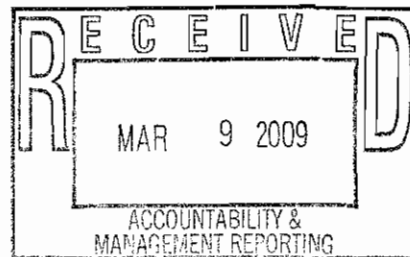
In our opinion, except for the effect of the departure from U S GAAP as described in the third paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Wheeling Health Right, Inc. as of June 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with U S GAAP.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 3, 2008, on our consideration of Wheeling Health Right, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Wheeling Health Right, Inc taken as a whole. The accompanying schedule of state awards is presented for purposes of additional analysis as required by terms of the Organization's state grant awards and is 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.

S R Inodgrass, Inc

Wheeling, West Virginia
October 3, 2008



Wheeling Health Right, Inc.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2008

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 229,422
Grants and accounts receivable	14,211
Unconditional promises to give	12,378
Total current assets	256,011

PROPERTY, PLANT, AND EQUIPMENT, AT COST

Buildings and improvements	1,313,198
Equipment	159,306
Less accumulated depreciation	(177,606)
Net property, plant, and equipment	1,294,898

OTHER ASSETS

Investment securities	886,132
Beneficial interest in perpetual trust	1,063,620
Loan origination fees	12,958
Total other assets	1,962,710

TOTAL ASSETS

\$ 3,513,619

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 38,624
Accrued payroll, payroll taxes, and withholdings	74,246
Other accrued expenses	19,777
Deferred revenue - Windshimer	94,209
Capital lease obligation	12,567
Note payable	24,572
Total current liabilities	263,995

LONG-TERM LIABILITIES

Capital lease obligation, net of current	23,864
Note payable, net of current	1,259,033
Total long-term liabilities	1,282,897
Total liabilities	1,546,892

NET ASSETS

Unrestricted	184,234
Temporarily restricted	718,873
Permanently restricted	1,063,620
Total net assets	1,966,727

TOTAL LIABILITIES AND NET ASSETS

\$ 3,513,619

The accompanying notes are an integral part of the financial statements

Wheeling Health Right, Inc.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE				
West Virginia Department of Health and Human Resources	\$ 839,435	\$ -	\$ -	\$ 839,435
Other grants	93,294	-	-	93,294
Contributions	262,207	156,683	-	418,890
Fees	140,674	-	-	140,674
Donated pharmaceuticals	5,375,676	-	-	5,375,676
Donated services and facilities	8,092,255	-	-	8,092,255
Special events revenue	84,806	-	-	84,806
Investment income	29,657	14,190	-	43,847
Gain on sale of securities	614	-	-	614
Unrealized gain (loss) on sale of securities	(40,339)	-	(117,547)	(157,886)
Other income	9,444	-	-	9,444
Net assets released from restrictions	76,298	(76,298)	-	-
Total support and revenue	<u>14,964,021</u>	<u>94,575</u>	<u>(117,547)</u>	<u>14,941,049</u>
EXPENSES				
Program services	14,732,125	-	-	14,732,125
Management and general	180,472	-	-	180,472
Fundraising	7,266	-	-	7,266
Total expenses	<u>14,919,863</u>	<u>-</u>	<u>-</u>	<u>14,919,863</u>
Change in net assets	44,158	94,575	(117,547)	21,186
NET ASSETS, BEGINNING OF YEAR	<u>140,076</u>	<u>624,298</u>	<u>1,181,167</u>	<u>1,945,541</u>
NET ASSETS, END OF YEAR	<u>\$ 184,234</u>	<u>\$ 718,873</u>	<u>\$ 1,063,620</u>	<u>\$ 1,966,727</u>

The accompanying notes are an integral part of the financial statements

Wheeling Health Right, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2008

	Program Services	Management and General	Fundraising	Total
Salaries, wages, and contract services	\$ 796,236	\$ 85,062	\$ -	\$ 881,298
Payroll taxes	63,130	6,412	-	69,542
Health insurance and other benefits	58,894	5,981	-	64,875
Retirement plan	31,130	3,161	-	34,291
Utilities	15,149	1,914	-	17,063
Telephone	7,852	992	-	8,844
Insurance	29,620	3,743	-	33,363
Facilities maintenance	9,454	1,991	-	11,445
Equipment maintenance	934	118	-	1,052
Office and housekeeping supplies	10,651	2,249	-	12,900
Postage and printing	7,715	1,929	-	9,644
Travel	7,233	3,100	-	10,333
Professional fees	-	12,995	-	12,995
Dues and subscriptions	-	5,647	-	5,647
Medical supplies and equipment	48,532	-	-	48,532
Pharmaceuticals	52,514	-	-	52,514
Pharmaceuticals - donated	5,375,676	-	-	5,375,676
Donated facilities and services	8,092,255	-	-	8,092,255
Miscellaneous	9,677	25,605	7,266	42,548
Interest	67,678	11,227	-	78,905
Depreciation	47,795	8,346	-	56,141
	<u>\$ 14,732,125</u>	<u>\$ 180,472</u>	<u>\$ 7,266</u>	<u>\$ 14,919,863</u>
Total				

The accompanying notes are an integral part of these financial statements

Wheeling Health Right, Inc.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$	21,186
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation		56,141
Amortization		530
Change in market value of securities		157,886
Changes in assets and liabilities:		
Grant and accounts receivable		4,518
Unconditional promises to give		38,382
Accounts payable		(42,330)
Accrued payroll and related benefits		37,922
Other accrued expenses		1,029
Deferred revenue		94,209
Net cash provided by operating activities		369,473

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of securities		(250,838)
Proceeds from sale of securities		31,863
Purchase of fixed assets		(8,987)
Net cash used in investing activities		(227,962)

CASH FLOWS FROM FINANCING ACTIVITIES

Principal payments on notes and leases		(24,481)
Net cash used in financing activities		(24,481)

Net increase in cash and cash equivalents 117,030

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 112,392

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 229,422

Supplemental disclosures:

Non-cash activities:		
Interest paid	\$	79,176

The accompanying notes are an integral part of the financial statements

Wheeling Health Right, Inc.
SCHEDULE OF STATE GRANT REVENUE AND EXPENDITURES
FOR FISCAL YEAR ENDED JUNE 30, 2008

<u>Grantor/Project Title</u>	<u>Award/Grant Number</u>	<u>Revenue</u>	<u>Expenditures</u>
State of West Virginia Department of Health and Human Resources			
Family Planning Program	FP082093	\$ 19,477	\$ 19,477
Breast and Cervical Cancer Screening Program	BC081061	42,016	42,016
Health Right/free clinic primary care services	G080348	732,942	732,942
Primary care/mortgage finance	G080369	<u>45,000</u>	<u>45,000</u>
Total state awards		<u>\$ 839,435</u>	<u>\$ 839,435</u>

The accompanying notes are an integral part of these financial statements

Wheeling Health Right, Inc.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The mission of Wheeling Health Right, Inc. (the "Organization") is to provide charitable, free medical care and pharmaceuticals to residents who fall below federal poverty guidelines and live in Ohio, Marshall, Wetzel, and southern Brooke Counties in West Virginia and Belmont County in Ohio

Basis of Accounting

The financial statements of Wheeling Health Right, Inc. have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Financial Statement Presentation

The Organization's financial statements are presented in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

Contributions

The Organization has adopted SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with this, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of the donor restrictions.

Investments

Wheeling Health Right, Inc.'s investments are presented in accordance with SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the statement of activities.

Promises to Give

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Wheeling Health Right, Inc.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Unconditional promises to give that are expected to be collected within one year are recorded at estimated net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates for United States Government securities. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not recorded as support until the conditions are substantially met.

Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost. Major renewals and betterments which extend the useful life of an asset are capitalized; routine maintenance and repairs are expensed as incurred. Maintenance and repairs charged against earnings were approximately \$11,000 for the year ended June 30, 2008. Upon sale or retirement of these assets, the asset cost and related accumulated depreciation are removed from the accounts, and any related gain or loss is reflected in income.

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows: buildings and improvements - 40 years; furniture and equipment - 3 to 10 years. Depreciation charged to operations was \$56,141 for the year ended June 30, 2008.

Inventories

Most medical supplies and pharmacy items used by the Organization are contributed by donors. The Organization's policy is to expense these items when purchased or when they are received as a donation. Generally accepted accounting principles require that the supplies and pharmaceuticals on hand at the report date be recorded as an asset on the statement of financial position at the lower of cost or contributed value, or market.

Income Taxes

Wheeling Health Right, Inc. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except for taxes on unrelated business income. Wheeling Health Right, Inc. had no unrelated business income for the year ended June 30, 2008.

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.

Wheeling Health Right, Inc.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

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

NOTE 2 – RETIREMENT PLAN

Effective November 1, 2007, Wheeling Health Right, Inc established a retirement plan for its eligible employees under a tax sheltered annuity arrangement, or 403(b) Thrift Plan. To be eligible for employer based contributions and participate in the new plan, employees must be aged 21 or older with at least one year of service completing 1,000 hours of service. Employees are vested upon completion of 3 years of vesting service. Employer based contributions will be made to all eligible employees meeting the age and service requirements, totaling 5 percent of the employee's compensation received during the plan year (August 1 to July 31) while the employee satisfied the participation requirements for the employer based contributions, regardless of whether the employee has made salary reduction contributions to the plan, or is an employee on the accounting date of the plan year.

Prior to November 1, 2007, Wheeling Health Right, Inc maintained an employee retirement system commonly referred to as a Simplified Employee Pension (SEP) plan. The program was made available to all employees aged 18 years and over who have completed 6 months of service. Under this program, a percentage of salary (as determined by the Board of Directors) was paid into the individual retirement account or other retirement investment vehicle of the employee's choice. Employees were provided with the option to roll-over these accounts into the new plan.

During the fiscal year ending June 30, 2008, Wheeling Health Right, Inc contributed \$34,291 to employee plans under the above agreements.

NOTE 3 - DONATED FACILITY AND SERVICES

Wheeling Health Right, Inc, in an attempt to better reflect support received from local physicians and pharmaceutical companies, as well as the amount of medicines distributed to patients, assigns an estimated value to the donated drugs and pharmaceutical supplies received to confirm the amount of donated services provided by these facilities on behalf of Wheeling Health Right, Inc's clients.

The amount of donated services for the year ended June 30, 2008, included in the financial statements and corresponding expenditures are as follows:

Wheeling Health Right, Inc.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 3 - DONATED FACILITY AND SERVICES (CONTINUED)

Ohio Valley Medical Center	\$ 1,962,350
Wheeling Hospital, Inc and affiliates *	3,469,869
Wetzel County Hospital	748,703
East Ohio Regional Hospital	1,229,183
Sistersville General Hospital	193,952
Northwood Health Systems	57,232
DeFelice Mobility	7,000
Doctor office visits	<u>423,966</u>
 Total	 <u>\$ 8,092,255</u>

* This amount includes Belmont Community Hospital and Wheeling Clinic

NOTE 4 - INVESTMENT SECURITIES

In order to honor the wishes of the donor to provide funds for future operational utilization, the Board approved the establishment of the Marilyn Weidle Trust and restricted access to the trust assets and income earned on these assets for a period of 5 years. At the end of this 5-year period, the Organization may use only the income from the Trust to support its operations.

At June 30, 2008, investments held in the Trust Fund, at cost, were comprised of the following:

Wesmark Growth Fund	\$ 291,500
Wesmark Government Bond Fund	175,402
Wesmark Balanced Fund	127,711
Wesmark Small Company Growth Fund	42,258
Federated Prime Obligations Fund 396	<u>67,159</u>
 Total trust fund investments	 <u>\$ 704,030</u>

The following summarizes unrealized gains and losses of the investments:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Balance June 30, 2008	\$ 738,435	\$ 704,030	\$ (34,405)

The trust received \$29,031 in long-term capital gains passed through from the mutual fund investments for the year ending June 30, 2008. Investment fees for the year amounted to \$7,326.

Wheeling Health Right, Inc.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 4 - INVESTMENT SECURITIES (CONTINUED)

Effective June 2008, the Organization also maintains investments in a separate Wesmark Mutual Funds Money Market Account. The balance in this account at June 30, 2008, was \$182,101. The fund includes dividends earned on the account of \$87. Temporarily restricted Windshimer donations and Meager Trust distributions are maintained in this account.

NOTE 5 - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets at June 30, 2008, are available for the following:

Time restrictions (assets to be held for future use)	\$ 413,274
Purpose restrictions (building and equipment needs)	<u>305,599</u>
Total	<u>\$ 718,873</u>

Permanently restricted net assets at June 30, 2008, are available for the following:

Beneficial interest in perpetual trust	<u>\$ 1,063,620</u>
--	---------------------

NOTE 6 - SPLIT-INTEREST AGREEMENTS

The Organization has been named as one of many beneficiaries of a perpetual trust established by a donor at a local financial institution. The basis for the Organization's interest in the perpetual trust is one twentieth (1/20) of the fair market value of the assets of the respective trust. The Organization is entitled only to the income generated by these assets. The beneficial interest is recorded as permanently restricted as indicated in Note 5.

NOTE 7 - LINE OF CREDIT

Wheeling Health Right, Inc. has an open line of credit in the amount of \$75,000 with a local financial institution. This line of credit is used periodically to supplement cash flow of the Organization while awaiting grant reimbursement. As of June 30, 2008, there was no outstanding balance due on the line of credit.

NOTE 8 - CONTINGENCIES

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

Wheeling Health Right, Inc.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 9 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give as of June 30, 2008, consist of promises due within one year totaling \$12,378.

NOTE 10 – NOTE PAYABLE

Wheeling Health Right, Inc. financed the acquisition and renovation of its building located at 29th Street in Wheeling through a loan at WesBanco Bank. The loan provides for a maximum borrowing limit of \$1.3 million. Terms of the loan call for interest only payments on a quarterly basis through November 15, 2007, at an annual interest rate of 5.90 percent. Thereafter, principal and interest payments are due quarterly with a final maturity of November 15, 2032. The building and renovations and the trust account discussed in Note 4 are pledged as collateral on the loan. The outstanding balance on the loan at June 30, 2008, was \$1,283,605.

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

2009	\$ 24,572
2010	26,044
2011	27,626
2012	29,292
2013	31,059
Thereafter	<u>1,145,012</u>
Total	<u>\$ 1,283,605</u>

NOTE 11 – CAPITAL LEASE

The Organization acquired office equipment under a capital lease expiring in the fiscal year ending June 30, 2011. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are depreciated over the lower of their related lease terms or their estimated productive lives. Depreciation of assets under capital leases is shown as depreciation expense in the fiscal year ended June 30, 2008.

Depreciation on assets under capital leases charged to expense in 2008 was \$12,607.

The following is a summary of property held under capital leases:

Equipment	\$ 62,634
Less accumulated depreciation	<u>(25,134)</u>
Net	<u>\$ 37,500</u>

Wheeling Health Right, Inc.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 11 – CAPITAL LEASE (CONTINUED)

Minimum future lease payments under capital leases as of June 30, 2008, are as follows:

<u>Year Ended</u>	<u>Amount</u>
2009	\$ 15,240
2010	15,240
2011	<u>13,970</u>
Total minimum lease payments	44,450
Less amount representing interest	<u>(8,019)</u>
Present value of net minimum lease payment	<u>\$ 36,431</u>

The implicit interest rate on capitalized lease is 8.0 percent. Interest expense recognized on the lease during the year ended June 30, 2008, was \$2,673.



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

Board of Trustees
Wheeling Health Right Inc
Wheeling, West Virginia

We have audited the financial statements of Wheeling Health Right, Inc as of and for the year ended June 30, 2008, and have issued our report thereon dated October 3, 2008. In our report, our opinion was qualified because the Organization does not record pharmaceutical and medical supplies inventories. 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 Wheeling Health Right, Inc's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Wheeling Health Right, Inc's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Wheeling Health Right, Inc's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant 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 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 deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting. (See Findings 2008-01 and 2008-02.)

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 Organization'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 none of the significant deficiencies described above is a material weakness

We also noted other matters involving the internal control over financial reporting, which we have reported to the management of Wheeling Health Right, Inc in a separate letter dated October 3, 2008

Compliance and Other Matters

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

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



Wheeling, West Virginia
October 3, 2008

**WHEELING HEALTH RIGHT, INC
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2008**

Finding 2008-01. Pension Plan and Other Employee Withholding Amounts

Criteria: Employee pension and payroll withholdings should be made to the appropriate vendor in a timely manner

Condition: Pension plan withholdings from employee payrolls ending July 28, 2007, through October 6, 2007, were not remitted to the appropriate employee pension plans as of August 20, 2008. AFLAC insurance withholdings were not remitted in a timely manner as well. Several lapse notices from AFLAC were noted. Withholdings from the employees for building fund contributions were not transferred to restricted cash account in a timely manner.

Effect: Wheeling Health Right, Inc. was not in compliance with the pension plan agreements. In the AFLAC case, insurance could have been terminated before the employees would have had knowledge of it. Temporarily restricted contributions (employee building fund contributions) should be accounted for properly to assure that the intent of the donor is met.

Cause: Although the amounts were appropriately included in the TSA and AFLAC Insurance accrual accounts, there were no controls in place to assure that the funds were remitted timely, and this went undetected until it was identified in the audit process.

Recommendation: We recommend that, as part of the month end close out process, a checklist be developed to assure that all necessary month end procedures have been completed, including the remittance of any employee withholding amounts. In addition, in reviewing monthly financial statements, withholding amounts should be reviewed and compared with prior periods for reasonableness. Any unusual variances should be investigated immediately.

View of responsible officials and planned corrective actions:

Management Response

A checklist will be developed to assure that all necessary month-end procedures have been completed. All employee deductions will be reviewed and properly monitored by the Finance Director. Vendor invoices will be compared to the employee's actual payroll deductions to assure proper amounts are withheld and remitted to vendors. Financial statements will be reviewed and compared to prior periods. Any unusual variances will be investigated and resolved immediately.

Finding 2008-02. Accounting for Pharmaceuticals and Medical Supplies

Criteria: Donated supplies should be valued based upon the lower of cost or donated value, or market when received. In addition, controls should be in place to assure the safeguarding of all Organization assets. Ending inventory amounts of pharmaceuticals and supplies should be properly reflected on the Organization's financial statements.

Condition: There is a lack of controls over valuation of donated pharmaceuticals, access to the pharmacy, and the inventory processes

- During fiscal year 2008, donated pharmaceuticals were valued in August 2008 versus being valued at date of donation, or within a reasonable time frame from the date of donation. A recommendation was made in the previous year to value the donations on a monthly or quarterly basis.
- In regard to the safeguarding of the Organization's assets, in our review of the access controls over the pharmacy, there appeared to be a significant number of employees who had access to the pharmacy keys. In addition, it was stated that the pharmacy door was always locked. On our date of testing, the door was not locked. There were several employees inside the pharmacy that would most likely notice unauthorized access. However, this door should remain locked at all times. In addition, a possible mitigating control is the use of cameras in the pharmacy area.
- No year end inventories are maintained for all pharmaceuticals and supplies on hand.

Effect: The Organization is at risk for theft and for underreporting of the Organization's assets. In addition, the Organization's reputation could be at risk should a reported theft of pharmacy assets occur.

- Although there is no net financial statement affect on the valuation of pharmaceuticals, a more timely valuation of the donations will provide the Organization with a more accurate account of actual contribution amounts.
- While the Organization does use cameras in the pharmacy area, there could still be risks that pharmacy items could be stolen and go undetected by management.
- The Organization is at risk for theft of pharmacy supplies that could go undetected, and the Organization's financial statements do not properly reflect all of the assets of the Organization without including pharmacy inventory on hand at the reporting date.

Cause: Due to cost benefit issues and capability of the current pharmacy system in place, certain procedures described above have not been implemented.

Recommendation: We recommend that the Organization consider implementation of enhanced controls in the pharmacy area to include the following:

- Monthly valuation of donated pharmaceuticals received in that period.
- A review of employees having access to the pharmacy should be conducted and only employees that are authorized to be in the pharmacy should have keys to the pharmacy areas. Employees should be reminded of the importance of locking the pharmacy door at all times.
- Serious consideration should be given to inventory control procedures including, at a minimum, year end inventory counts (and valuation of inventory). (Management has noted that this may soon become a requirement under the Department of Pharmacy.)

View of responsible officials and planned corrective actions:

Management Response

As recommended in last year's audit, donated pharmaceuticals are being valued on a quarterly basis. If this is not acceptable, management will change to a monthly basis. A review of employees having access to the pharmacy will be conducted. Employees will be reminded of the importance of keeping the door locked at all times. However, it should be noted that the pharmacist was in the pharmacy during the time other employees were there.

October 22, 2008

MANAGEMENT RESPONSE TO AUDIT OF FINANCIAL STATEMENTS OF
WHEELING HEALTH RIGHT, INC. FOR YEAR ENDED JUNE 30, 2008:

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

Finding:

Petty Cash Disbursements

We noted weaknesses relative to the controls over petty cash disbursements and the reconciling of petty cash amounts. We recommend that a spreadsheet be maintained to account for all petty cash transactions and at the end of each month, the actual cash on hand should be verified to the balance of activity noted in the spreadsheet. A general ledger entry should be recorded monthly to account for the petty cash activity. A general ledger account has been established to account for petty cash on hand at June 30, 2008.

Management Response

A spreadsheet has been created with a July 1, 2008 beginning balance. Disbursements are recorded on the spreadsheet and balanced at month-end to the cash on hand. Entries will be recorded monthly to account for the petty cash activity.

Finding:

Cash Donations

The Organization has a donation box which is located in the lobby area. While the box is locked, it is in a high traffic area. We recommended in the prior year that the Organization improve controls over these collections by checking the box daily and placing undeposited funds in the safe to ensure that any donations received are secured prior to depositing in the Bank. This process was not implemented in the current fiscal year. We recommend that management seriously consider this recommendation going forward.

Management Response

A spreadsheet has been created to track the donations received. A sheet has also been created to record when the box is entered which is done by two individuals and signed by both and the amount (if any) of cash that is in the box. It is then placed in the safe until depositing in the Bank. The box will be checked weekly.

Finding:

Pharmacy Receipts

The Pharmacy receives daily payment of handling fees, no-show fees, donations, and various other miscellaneous amounts. In addition, for clients who cannot pay the handling fees, a charge payment is recorded for each applicable fee. At the end of the day a receipt total is printed which should account for all cash fees collected. We noted that the daily totals often do not agree with the amounts deposited. The Organization is

at risk for a theft of funds going undetected. We recommend that cash receipt processes be enhanced in the Pharmacy area to assist in the reconciliation of register receipts to daily receipts turned over for deposit. The reconciliation should be done daily and cash amounts should be verified by two individuals and agreed to the reconciliation before being turned in for deposit. Charge payments should also be accounted for on a daily basis in order for the Organization to account for uncompensated care amounts.

Management Response

A spreadsheet has been created to track charge payments as well as occasional donations that patients will make to the Pharmacy for those individuals who cannot pay for meds. The Pharmacy receipts are balanced daily by two individuals and recorded on a Pharmacy balance sheet, which is initialed by both, before being turned over for deposit. The Finance Director has requested that a copy of the Pharmacy balance sheet be given to her daily for her records as well.

Finding

Credit Card Approval and Support

In our prior year recommendations letter, we noted that credit card expenditures by the Executive Director were not approved by a second individual. During the current year, we noted some instances where the Fiscal Director had reviewed the statements and approved the expenses of the Executive Director. We recommend that a Finance Committee member review the credit card expenses of the Executive Director rather than an employee under the direct supervision of the Executive Director. In addition, we also noted a few instances in the current year where support for credit card charges in the form of receipts or invoices were missing. We recommend that all credit card charges be supported by receipts or invoices including online purchases. All invoices and receipts should be reconciled to the statement before payment and attached to the statement for reference.

Management Response

Credit card expenditures by the Executive Director will be approved by a Finance Committee member going forward. In addition, all support in the form of receipts or invoices will be reconciled to the statement before payment and attached to the statement for reference.

Finding

Month and Year End Close-Out Process

We noted a few instances where proper close-out procedures were not followed prior to submitting the trial balance for audit. In one instance the accrued wages from the prior year were not reversed and the current year accrual was not recorded. In addition, the entry to record in-kind services and supplies was not recorded. As previously recommended in our pension accrual finding, a month-end and year-end close out checklist should be developed and include all necessary steps involved in closing out the month or year. This checklist could then be prepared monthly to assure all of the procedures are followed.

Management Response

A month-end and year-end close out checklist will be developed to include all necessary steps involved in closing out the month or year. The checklist will be prepared monthly to assure all procedures are followed.

Finding

Restricted Accounts

Funds from restricted accounts have been transferred to operating accounts to fund payroll and other Organization disbursements as part of the Organization's cash flow management. This is done to avoid drawing on the line of credit and incurring interest expense. We recommend that the Organization create a spreadsheet to track the transfers and also obtain Board approval for all transfers from restricted accounts. These procedures may help to avoid possible violation of any donor restrictions. In addition, the Organization should improve accounting records to properly reflect balances maintained in temporarily restricted net assets and permanently restricted net assets. The above spreadsheet would assist the Organization in tracking these balances.

Management Response

No transfers will be done. Line of Credit will be used at all times.

Finding

Sales Tax

As noted in the previous year, we noted three instances (out of forty-three items) where sales tax was paid by the Organization. While the amounts were not significant, we recommend that as a cost savings measure, the Organization utilize its sales tax exempt status on all purchases.

Management Response

Staff was informed on October 10, 2008 that before making any purchases for the Organization, they should get from the Finance Director a copy of the Organization's tax exempt letter. If purchases are made by employees for the Organization and they choose not to get a copy of the exempt letter, then any reimbursement due them will be less the sales tax charged.

Finding

Cash Accounts

During our review of cash accounts and bank reconciliations, we noted that the signature cards for the restricted savings and the Wesbanco account included former Board members. As a matter of best practices, we recommend that the signature cards be updated to reflect current authorized check signers. Cards should be updated for all bank accounts when authorized signers change. In addition, we noted a difference of \$111 between the reconciliation amount on the United checking account and the amount carried on the general ledger for this account. While this is clearly an immaterial amount,

we recommend that all reconciling items be followed through in a timely manner in order to prevent differences from carrying for a long period of time.

Management Response

All signature cards for the Organization's bank accounts will be reviewed and updated accordingly to reflect current authorized check signers. As authorized signers change, signature cards will be updated. All reconciling items will be reviewed and cleared in a timely manner.

Finding

Payroll Deductions

We noted a few instances where payroll deductions for insurance payments were not always properly accounted for. In the cases noted, employees had cancelled the insurance contracts and the withholding was stopped. However, the insurance company was not notified and the Organization continued to be charged for insurance premiums. The amounts were very small. However, we recommend that all employee deductions be properly monitored against actual withholdings and the applicable vendor invoices to assure proper amounts are withheld and proper amounts are remitted to vendors. Insurance cancellations should be noted the date they are cancelled by the employee or before the next payroll period occurs.

Management Response

All employee deductions will be reviewed and properly monitored by the Finance Director. Vendor invoices will be compared to the employee's actual payroll deductions to assure proper amounts are withheld and remitted to vendors. Any cancellations by employees will be noted on the date they occur and the proper vendor will be notified before the next payroll period occurs.

Finding 2008-01

Condition

Pension plan withholdings from employee payrolls ending July 28, 2007, through October 6, 2007, were not remitted to the appropriate employee pension plans as of August 20, 2008. AFLAC insurance withholdings were not remitted in a timely manner as well. Several lapse notices from AFLAC were noted. Withholdings from the employees for building fund contributions were not transferred to restricted cash account in a timely manner.

Recommendation

We recommend that, as part of the month end close out process, a checklist be developed to assure that all necessary month end procedures have been completed, including the remittance of any employee withholding amounts. In addition, in reviewing monthly financial statements, withholding amounts should be reviewed and compared with prior periods for reasonableness. Any unusual variances should be investigated immediately.

Management Response

A checklist will be developed to assure that all necessary month end procedures have been completed. All employee deductions will be reviewed and properly monitored by the Finance Director. Vendor invoices will be compared to the employee's actual payroll deductions to assure proper amounts are withheld and remitted to vendors. Financial statements will be reviewed and compared to prior periods. Any unusual variances will be investigated and resolved immediately.

Finding 2008-02

Condition

There is a lack of controls over valuation of donated pharmaceuticals, access to the pharmacy, and the inventory processes.

- During fiscal year 2008, donated pharmaceuticals were valued in August 2008 versus being valued at date of donation, or within a reasonable time frame from the date of donation. A recommendation was made in the previous year to value the donations on a monthly or quarterly basis.
- In regard to the safekeeping of the Organization's assets, in our review of the access controls over the pharmacy, there appeared to be a significant number of employees who had access to the pharmacy keys. In addition, it was stated that the pharmacy door was always locked. On our date of testing, the door was not locked. There were several employees inside the pharmacy that would most likely notice unauthorized access. However, this door should remain locked at all times. In addition, a possible mitigating control is the use of cameras in the pharmacy area.
- No year end inventories are maintained for all pharmaceuticals and supplies on hand.

Recommendation

We recommend that the Organization consider implementation of enhanced controls in the pharmacy area to include the following:

- Monthly valuation of donated pharmaceuticals received in that period.
- A review of employees having access to the pharmacy should be conducted and only employees that are authorized to be in the pharmacy should have keys to the pharmacy areas. Employees should be reminded of the importance of locking the pharmacy door at all times.
- Serious consideration should be given to inventory control procedures including, at a minimum, year end inventory counts (and valuation of inventory). (Management has noted that this may soon become a requirement under the Department of Pharmacy).

Management Response

As recommended in last year's audit, donated pharmaceuticals are being valued on a quarterly basis. If this is not acceptable, management will change to a monthly basis. A review of employees having access to the pharmacy will be conducted. Employees will be reminded of the importance of keeping the door locked at all times, however it should

be noted that the pharmacist was in the pharmacy during the time other employees were there.