

**Wellness Council of West Virginia, Inc.**

**Financial Statements**

**December 31, 2010**

**DHHR - Finance**

**JAN 25 2012**

**Date Received**

# Wellness Council of West Virginia, Inc.

## Table of Contents

	<u>Page</u>
<b>Independent Auditors' Report</b> .....	1-2
<b>Financial Statements</b>	
Statement of Financial Position .....	3
Statement of Activities .....	4
Statement of Functional Expenses .....	5
Statement of Cash Flows .....	6
Notes to Financial Statements .....	7-9
<b>Schedule of WVDHHR Grant Receipts and Expenditures</b> .....	10
<b>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b> .....	11-12
<b>Summary Schedule of Prior Audit Findings</b> .....	13
<b>Schedule of Findings and Responses</b> .....	14

# Herman & Cormany

## Certified Public Accountants, A.C.

---

Accountants & Consultants

### Independent Auditors' Report

To the Board of Directors  
Wellness Council of West Virginia, Inc.  
St. Albans, West Virginia

We have audited the accompanying statements of financial position of Wellness Council of West Virginia, Inc. (a non-profit organization) as of December 31, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Wellness Council of West Virginia, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Wellness Council of West Virginia, Inc.'s 2009 financial statements and in our report dated August 17, 2010, we expressed an unqualified opinion on those statements.

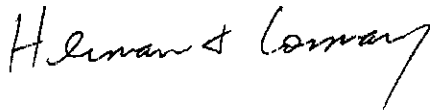
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wellness Council of West Virginia, Inc. as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in United States of America.

To the Board of Directors  
Wellness Council of West Virginia, Inc.  
Page two

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2011 on our consideration of Wellness Council of West Virginia, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Receipts and Expenditures of State Awards is presented for purposes of additional analysis 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.



Charleston, WV  
May 5, 2011

DHHR - Finance

JAN 25 2012

Date Received

**Wellness Council of West Virginia, Inc.**

**Statement of Financial Position**

**December 31, 2010, with Comparative Totals  
as of December 31, 2009**

	<b>Assets</b>	
	<u><b>2010</b></u>	<u><b>2009</b></u>
<b>Current Assets</b>		
Cash	\$108,903	\$ 128,505
Certificate of deposit	-	67,889
Accounts receivable	4,318	7,534
Prepaid expenses	<u>12,206</u>	<u>8,845</u>
<b>Total Current Assets</b>	<u>125,427</u>	<u>212,773</u>
<b>Fixed Assets</b>		
Equipment	51,557	51,557
Accumulated depreciation	<u>(29,517)</u>	<u>(19,674)</u>
<b>Net Fixed Assets</b>	<u>22,040</u>	<u>31,883</u>
<b>Total Assets</b>	<u>\$147,467</u>	<u>\$244,656</u>
	<b>Liabilities and Net Assets</b>	
<b>Current Liabilities</b>		
Accounts payable	\$ 8,688	\$ 5,988
Accrued retirement	-	2,981
Accrued taxes	1,118	1,451
Accrued payroll	<u>-</u>	<u>3,954</u>
<b>Total Current Liabilities</b>	<u>9,806</u>	<u>14,374</u>
<b>Net Assets</b>		
Unrestricted	(127,623)	(114,400)
Temporarily restricted	<u>265,284</u>	<u>344,682</u>
<b>Total Net Assets</b>	<u>137,661</u>	<u>230,282</u>
<b>Total Liabilities and Net Assets</b>	<u>\$147,467</u>	<u>\$ 244,656</u>

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

## Wellness Council of West Virginia, Inc.

### Statement of Activities

For the Year Ended December 31, 2010, with Comparative Totals  
for the Year Ended December 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2010 Total</u>	<u>2009 Total</u>
<b>Support and Revenue</b>				
Membership fees	\$ 44,260	\$ -0-	\$ 44,260	\$ 59,931
Annual Wellness Conference	44,850	-0-	44,850	38,149
Tobacco Prevention Grant	-0-	158,202	158,202	221,594
RWJ Foundation Grant	-0-	-0-	-0-	169,551
RTPCC Grant	-0-	97,372	97,372	76,471
Other program fees	5,575	-0-	5,575	7,079
Miscellaneous	18,449	-0-	18,449	10,781
Logan Healthcare Grant	-0-	50,000	50,000	73,525
Interest income	892	-0-	892	1,202
Net assets released from restrictions:				
Restrictions satisfied by program spending	<u>384,972</u>	<u>(384,972)</u>	<u>-0-</u>	<u>-0-</u>
<b>Total Revenues, Gains and Other Support</b>	<u>498,998</u>	<u>(79,398)</u>	<u>419,600</u>	<u>658,283</u>
<b>Expenses</b>				
Program services	406,688	-0-	406,688	595,753
Supporting services				
Management and general	90,856	-0-	90,856	115,279
Fund-raising	3,027	-0-	3,027	3,733
Repayment of grant funds	<u>11,650</u>	<u>-0-</u>	<u>11,650</u>	<u>-0-</u>
<b>Total Expenses and Losses</b>	<u>512,221</u>	<u>-0-</u>	<u>512,221</u>	<u>714,765</u>
<b>Change in Net Assets</b>	(13,223)	(79,398)	(92,621)	(56,482)
<b>Net Assets, Beginning of Year</b>	<u>(114,400)</u>	<u>344,682</u>	<u>230,282</u>	<u>286,764</u>
<b>Net Assets, End of Year</b>	<u>\$(127,623)</u>	<u>\$265,284</u>	<u>\$137,661</u>	<u>\$230,282</u>

The accompanying notes are an integral part of these financial statements

**Wellness Council of West Virginia, Inc.**

**Statement of Functional Expenses**

**For the Year Ended December 31, 2010, with Comparative Totals  
for the Year Ended December 31, 2009**

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2010 Total Expenses</u>	<u>2009 Total Expenses</u>
Salaries	\$199,710	\$41,352	\$2,693	\$243,755	\$272,348
Payroll taxes and fringe benefits	54,483	5,731	334	60,548	68,748
Accounting & auditing	11,594	3,238	-0-	14,832	22,481
Advertising & promotional material	7,202	1,117	-0-	8,319	68,224
Annual Wellness Conference	25,330	-0-	-0-	25,330	35,354
Bank charges	-0-	1,893	-0-	1,893	1,185
Consultants	13,500	-0-	-0-	13,500	12,600
Depreciation expense	-0-	9,844	-0-	9,844	9,844
Insurance	8,113	4,023	-0-	12,136	4,657
Materials and supplies	8,249	6,618	-0-	14,867	75,588
Meetings	7,877	2,705	-0-	10,582	8,953
Miscellaneous	400	3,191	-0-	3,591	3,012
Occupancy	11,004	5,368	-0-	16,372	6,274
Other grant expense	16,536	-0-	-0-	16,536	15,351
Postage	4,380	1,515	-0-	5,895	5,291
Sponsorships and memberships	893	1,050	-0-	1,943	13,075
Subgrants	18,200	-0-	-0-	18,200	16,709
Telephone & communication	6,056	2,494	-0-	8,550	12,389
Travel	<u>24,811</u>	<u>717</u>	<u>-0-</u>	<u>25,528</u>	<u>62,682</u>
<b>Total Expenses</b>	<b><u>\$418,338</u></b>	<b><u>\$90,856</u></b>	<b><u>\$3,027</u></b>	<b><u>\$512,221</u></b>	<b><u>\$714,765</u></b>

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

**Wellness Council of West Virginia, Inc.**

**Statement of Cash Flows**

**For the Year Ended December 31, 2010, with Comparative Totals  
for the Year Ended December 31, 2009**

	<u>2010</u>	<u>2009</u>
<b>Cash Flows From Operating Activities</b>		
Change in Net Assets	\$(92,621)	\$(56,482)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation expense	9,844	9,844
(Increase) Decrease in:		
Accounts receivable	3,215	(7,534)
Prepaid expenses	(3,361)	(5,275)
Increase (Decrease) in:		
Accounts payable	2,700	(15,325)
Accrued expenses	(7,268)	4,690
Deferred revenue	-0-	(6,370)
<b>Net Cash (Used In) Provided By Operating Activities</b>	<u>(87,491)</u>	<u>(76,452)</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of equipment	-0-	(8,740)
Purchase of certificate of deposit	-0-	(1,024)
Redemption of certificate of deposit	67,889	-0-
<b>Net Cash Used In Investing Activities</b>	<u>67,889</u>	<u>(9,764)</u>
<b>Cash Flows from Financing Activities</b>	<u>-0-</u>	<u>-0-</u>
<b>Net (Decrease) Increase in Cash</b>	(19,602)	(86,216)
<b>Cash at Beginning of Period</b>	<u>128,505</u>	<u>214,721</u>
<b>Cash at End of Period</b>	<u>\$108,903</u>	<u>\$128,505</u>

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



# Wellness Council of West Virginia, Inc.

## Notes to Financial Statements

December 31, 2010

### Note A – Nature of Operations and Summary of Significant Accounting Policies

Nature of Activities – The Wellness Council of West Virginia (the Council) was incorporated as a nonprofit organization in the state of West Virginia. The Council's mission is to positively impact an organization's ability to succeed by improving the health and well-being of its most vital asset, the employee. The Council strives to demonstrate that a healthy workforce is a productive workforce and that with healthier workers, absenteeism declines, health benefit costs are lowered, and worker satisfaction, recruitment and retention increases. Two of the Council's programs are:

*Worksite Wellness* – Is specially designed to introduce wellness to an employer's organization. The Council will assess needs, design and implement effective interventions, and measure results. Experienced faculty uses an innovative instructional framework that includes independent study, problem-solving, classroom presentation, team activities and site visits to benchmark program success.

*Worksite Wellness Tobacco Policy Project* – Funded through the Bureau for Public Health's Tobacco Prevention Program, the Worksite Wellness Tobacco Policy Project helps develop, modify and update tobacco policies and supportive services, as well as introduce other worksite wellness concepts to employees. The project includes program guides and manuals, consultation services from professionals with training and experience in programs to restrict tobacco use, up-to-date educational resources, and "Quit Kits" for employees ready to take the first step in not smoking.

Accounting Policies – The Council follows the policy of recognizing governmental grant income paid in advance of service delivery as restricted revenue only when the Council actually receives the funding. Also, advertising is expensed as it is paid.

Cash and Cash Equivalent – For purposes of the statements of cash flows, the Organization considers only cash on hand and bank deposits available on demand to be cash equivalents.

Income Tax Status – The Council is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Council qualified for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Equipment – All acquisitions of equipment of more than \$500 and all expenditures for repairs, maintenance, and renewals that materially prolong the useful lives of assets are capitalized. All equipment is carried at cost. Depreciation is computed using the straight-line method over an estimated life of five to seven years.

# Wellness Council of West Virginia, Inc.

## Notes to Financial Statements

December 31, 2010

### Note A – Nature of Operations and Summary of Significant Accounting Policies (Continued)

Equipment at December 31, 2010 consists of:

Equipment	\$27,255
Computer equipment	21,412
Leasehold improvements	<u>2,890</u>
	51,557
Less accumulated depreciation	<u>29,517</u>
Fixed Assets, Net of Depreciation	<u>\$22,040</u>

Comparative Financial Information – The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2009, from which the summarized information was derived.

### Note B – Office Rent

The Organization leases its office under a lease agreement which expires August 14, 2013. The future minimum lease payments due under the lease are as follows:

<u>Year Ended</u>	<u>Amount</u>
2011	\$10,542
2012	10,806
2013	<u>11,076</u>
	<u>\$32,424</u>

Total rent expense for the years ended December 31, 2010 and 2009 was \$11,285 and \$4,000, respectively.

### Note C – Use of 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 could affect the reported amounts in the accompanying financial statements. Actual results could differ from those estimates.

# Wellness Council of West Virginia, Inc.

## Notes to Financial Statements

December 31, 2010

### Note D – Concentrations of Risk

The Council receives approximately 60% of its revenues from the West Virginia Department of Health and Human Resources. Future ability to fund programs could be adversely affected if this funding were discontinued.

### Note E – Restricted Funds

The Council treats all funds received from grants that have performance requirements as temporarily restricted. Only after the funds have been used in accordance with the provisions of the specific grant are balances transferred to unrestricted. The following amounts represent the unused portion of the indicated grant:

WVDHHR – Tobacco Prevention Grant	\$161,725
WVDHHR – Regional Tobacco Prevention Coalition Coordinator	17,278
Logan Health Care Foundation, Inc.	82,829
Robert Wood Johnson Foundation	<u>3,452</u>
<b>Total Temporarily Restricted Funds</b>	<b><u>\$265,284</u></b>

### Note F – Defined Contribution Plan

The Council adopted a non-contributory defined contribution plan for all employees with more than two years of service who are at least the age of 21. Pension expense calculated at 4% of eligible wages for 2010 was \$9,903. All employees on the plan's July 1, 2008 effective date were considered to be eligible without regard to length of service.

### Note G – Functional Allocation of Expenses

The costs of providing the Council's various programs and supporting services have been presented in the Statement of Functional Expenses. Certain costs have been allocated among the programs and supporting services benefited based on employee time records, square feet of area used, etc.

### Note H – Subsequent Events

Management has evaluated subsequent events through May 5, 2011, the date on which the financial statements were available to be issued.

**Wellness Council of West Virginia, Inc.**  
**Schedule of WVDHHR Grant Receipts and Expenditures**  
**Federal Employer Identification Number 55-0684727**  
**WVFIMS Vender Number 44538**  
**For the Year Ended December 31, 2010**

<b><u>WVDHHR Agreement Number</u></b>	<b><u>Award Amount</u></b>	<b><u>Amounts Received</u></b>	<b><u>Amounts Paid</u></b>
G100167	\$105,638.00	\$105,638.00	\$105,638.00
G100168	\$181,887.00	\$181,887.00	\$181,887.00
G110383	\$97,000.00	\$62,554.00	\$49,235.00
G110264	\$186,142.00	\$67,259.00	\$91,591.00

# Herman & Cormany

## Certified Public Accountants, A.C.

---

Accountants & Consultants

### **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***

To the Board of Directors  
Wellness Council of West Virginia, Inc.  
St. Albans, WV

We have audited the financial statements of Wellness Council of West Virginia, Inc. ("Wellness Council"); (a nonprofit organization) as of and for the year ended December 31, 2010, and have issued our report thereon dated May 5, 2011. 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 Wellness Council'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 Wellness Council'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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses and listed as item 2010-1 that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

To the Board of Directors  
Wellness Council of West Virginia, Inc.  
Page two

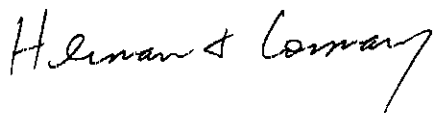
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wellness Council'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2010-1.

We noted certain matters that we reported to management of Wellness Council in a separate letter dated May 5, 2011

Wellness Council's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Wellness Council's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors, and the West Virginia Department of Health and Human Resources, and is not intended to be and should not be used by anyone other than these specified parties.



Charleston, WV  
May 5, 2011

DHHR - Finance

JAN 25 2012

Date Received

**Wellness Council of West Virginia, Inc.**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended December 31, 2010**

**Section I – Financial Statement Findings**

**SIGNIFICANT DEFICIENCY**

**2009-1 Lack of Segregation of Duties**

*Condition:* Due to the limited number of people working in the office, many critical duties are combined and given to the available employees. Currently, a single individual opens and processes all incoming and outgoing mail, makes deposits, approves invoices, and signs checks.

*Recommendation:* We would recommend that duties should be segregated to help insure that transactions are properly recorded and accounted for.

*Current Status:* A secondary check signer has been appointed to review disbursements and sign checks.

**2009-2 Documentation of Certain Expenditures**

*Condition:* During our audit we found that the credit card bills were not properly documented. We selected each of the twelve monthly payments for testing and found that approximately 17% of the underlying charges were not documented.

*Recommendation:* We recommend the Council follow its policy whereby all documentation for credit card purchases be retained and attached to the credit card bill. We would suggest that if the credit card statement review finds missing supporting documentation, and the actual receipt is no longer available, that the reviewer request a written statement from the purchaser showing what was purchased and for what program that has been approved by the Executive Director.

*Current Status:* The Council has properly documented credit card purchases and the condition is no longer considered to be a deficiency at December 31, 2010.

**DHHR - Finance**

**JAN 26 2012**

**Date Received**

**Wellness Council of West Virginia, Inc.**  
**Schedule of Findings and Responses**  
**Year Ended December 31, 2010**

**Section I – Financial Statement Findings**

SIGNIFICANT DEFICIENCY

*2010-1 Lack of Segregation of Duties*

*Condition:* Due to the limited number of people working in the office, many critical duties have been combined and given to the available employees. Through approximately September of 2010, a single individual opened and processed all incoming and outgoing mail, made deposits and had the ability to sign checks. Subsequent to that date, the Organization made changes to its internal control procedures and set up a system whereby a proper segregation of duties had been implemented.

*Criteria:* One of the appropriate functions of a good system of internal controls is to segregate critical accounting duties.

*Effect:* A lack of segregation of duties could cause errors and a potential for fraud due to one individual processing the majority of accounting entries and functions.

*Recommendation:* We would recommend that duties continue to be segregated to help insure that transactions are properly recorded and accounted for.

*Management Response:* Recommendation was implemented September 2010.

**DHHR - Finance**

**JAN 26 2012**

**Date Received**