



Community Health Foundation
WEST VIRGINIA

February 2, 2011

Reathel Cottrell, Compliance Auditor
Division of Compliance & Monitoring
Capitol Complex, Building 3, Room 451
Charleston, WV 25305

Dear Mr. Cottrell,

Enclosed is Community Health Foundation of Man, WV (CHFM) audited financial statements for period ended June 30, 2009. CHFM lost our 330 funding from HRSA and also our Uncompensated Care Grant from the state. CHFM filed for bankruptcy on January 28, 2010. As part of the close out with HRSA, they are funding the clinic to copy and secure medical records as well as file any necessary reports. As part of the close out funding, I requested funds to have outside auditors to complete our A-133 audit. HRSA states that they will waive the requirement of the A-133 audit for year ended June 30, 2009 as well as the period from July 1, 2009 until we discontinued seeing patients on February 28, 2010.

DHHR - Finance

FEB 23 2011

Date Received

Sincerely,

Hershel Chafin, CEO

**COMMUNITY HEALTH FOUNDATION OF MAN WV, INC.
(In Process of Liquidation)**

**FINANCIAL REPORT, REPORTS ON SCHEDULES OF FEDERAL AND STATE AWARDS,
REPORTS ON INTERNAL CONTROL AND ON COMPLIANCE**

JUNE 30, 2009

CONTENTS

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND SCHEDULES OF FEDERAL AND STATE AWARDS	I
FINANCIAL STATEMENTS	
Statements of Financial Position	1 of 11
Statements of Operations	2 of 11
Statements of Changes in Net Assets	3 of 11
Statements of Cash Flows	4 of 11
Notes to Financial Statements	5-11 of 11
 Schedule of Expenditures of Federal Awards	 1 of 1
 Schedule of Expenditures of State Awards	 1 of 1
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	II
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	III
 Schedule of Findings and Questioned Costs	 1-3 of 3

**INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SCHEDULES OF FEDERAL AND STATE AWARDS**

The Board of Directors
Community Health Foundation of Man WV, Inc.
Man, West Virginia

We have audited the accompanying balance sheet of Community Health Foundation of Man WV, Inc. (In Process of Liquidation) as of June 30, 2009, and the related statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Community Health Foundation of Man WV, Inc. as of June 30, 2008, were audited by other auditors whose report dated January 26, 2009, 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 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.

As more fully described in Note 2 to the financial statements, on January 28, 2010, the Company filed a petition under Chapter 11 of the Bankruptcy Act with the United States Bankruptcy Court (Southern District of West Virginia), ceased operations, and began the liquidation of its assets and liabilities. The accompanying financial statements have been prepared in accordance with accounting principles applicable to a going concern. Accounting principles generally accepted in the United States of America require that assets and liabilities be carried on a liquidating basis when a company is in the process of liquidation or liquidation is imminent. The principal effects of this departure from U. S. generally accepted accounting principles are not reasonably determinable.

In our opinion, because of the significance of the matter discussed in the preceding paragraph, the June 30, 2009 financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Community Health Foundation of Man WV, Inc. as of June 30, 2009, or the results of its operations or its cash flows for the year then ended.

In accordance with Government Auditing Standards, we have also issued our report dated November 19, 2010, on our consideration of Community Health Foundation of Man WV, 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 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 June 30, 2009 basic financial statements of Community Health Foundation of Man WV, Inc. taken as a whole. Our report thereon stated that the financial statements are not presented in accordance with accounting principles generally accepted in the United States of America. The accompanying schedules of expenditures of federal and state awards for the year ended June 30, 2009, are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the State of West Virginia, and are not a required part of the basic financial statements. Because of the significance of the matter discussed above, it is inappropriate to, and we do not, express an opinion on the schedules of expenditures of federal and state awards referred to above.

Toothman Rice, P.A.C.

Bridgeport, West Virginia
November 19, 2010

DHHR - Finance

FEB 28 2011

Date Received

COMMUNITY HEALTH FOUNDATION OF MAN WV, INC.
(In Process of Liquidation)
STATEMENTS OF FINANCIAL POSITION
June 30, 2009 and 2008

	2009	2008
ASSETS		
Cash	\$ 63,310	\$ 115,291
Accounts receivable, net	338,437	429,422
Federal and state grants receivable	215,831	457,118
Medicare and Medicaid cost report receivables	49,265	117,775
Inventories	234,767	259,242
Prepaid assets and deposits	779	14,878
Total current assets	<u>902,389</u>	<u>1,393,726</u>
PROPERTY AND EQUIPMENT, at cost		
Building and land improvements	60,392	60,392
Buildings	1,104,330	1,104,330
Furniture and equipment	1,475,977	1,475,977
Vehicles	36,271	36,271
	<u>2,676,970</u>	<u>2,676,970</u>
Less accumulated depreciation	<u>2,543,345</u>	<u>2,489,810</u>
	<u>133,625</u>	<u>187,160</u>
Total assets	<u>\$ 1,036,014</u>	<u>\$ 1,580,886</u>
LIABILITIES AND NET ASSETS		
Notes payable, current portion	\$ 224,914	\$ 196,713
Capital lease payable, current portion	6,190	5,716
Accounts payable	293,298	229,569
Accrued salaries and benefits	626,127	248,428
Total current liabilities	<u>1,150,529</u>	<u>680,426</u>
Notes payable, noncurrent portion (Note 8)	197,279	426,993
Capital lease payable, noncurrent portion (Note 6)	6,677	12,867
Total liabilities	<u>1,354,485</u>	<u>1,120,286</u>
NET ASSETS		
Temporarily restricted	198,551	422,538
Unrestricted	(517,022)	38,062
	<u>(318,471)</u>	<u>460,600</u>
Total liabilities and net assets	<u>\$ 1,036,014</u>	<u>\$ 1,580,886</u>

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

COMMUNITY HEALTH FOUNDATION OF MAN WV, INC.
(In Process of Liquidation)
STATEMENTS OF OPERATIONS
Years Ended June 30, 2009 and 2008

	2009	2008
CHANGE IN UNRESTRICTED NET ASSETS:		
Revenue		
Patient service revenues, net	\$ 2,860,741	\$ 3,863,973
Grant funding	715,359	509,096
Interest	-	808
Other revenue	14,942	12,724
Net assets released from restrictions	<u>422,538</u>	<u>504,952</u>
	<u>4,013,580</u>	<u>4,891,553</u>
Expenses		
Salaries and wages	2,713,441	2,707,650
Employee benefits and taxes	634,050	621,212
Bad debt expense	464,468	605,931
Supplies	233,650	240,969
Repairs and maintenance	92,838	104,117
Utilities and telephone	111,074	104,891
Depreciation and amortization	53,535	67,336
Rent	33,321	23,656
Taxes and licenses	14,477	28,504
Contracted services	22,485	32,079
Insurance	28,023	19,854
Interest	26,797	33,872
Other expenses	<u>140,505</u>	<u>163,292</u>
Total expenses	<u>4,568,664</u>	<u>4,753,363</u>
(Decrease) increase in unrestricted net assets	<u>(555,084)</u>	<u>138,190</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS:		
Public health grant	198,551	422,538
Net assets released from restrictions	<u>(422,538)</u>	<u>(504,952)</u>
(Decrease) in temporarily restricted net assets	<u>(223,987)</u>	<u>(82,414)</u>
CHANGE IN NET ASSETS	<u>\$ (779,071)</u>	<u>\$ 55,776</u>

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

COMMUNITY HEALTH FOUNDATION OF MAN WV, INC.
(In Process of Liquidation)
STATEMENTS OF CHANGES IN NET ASSETS
Years Ended June 30, 2009 and 2008

	2009	2008
Balance, beginning	\$ 460,600	\$ 404,824
Change in net assets	<u>(779,071)</u>	<u>55,776</u>
Balance, ending	<u>\$ (318,471)</u>	<u>\$ 460,600</u>

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

COMMUNITY HEALTH FOUNDATION OF MAN WV, INC.
(In Process of Liquidation)
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2009 and 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (779,071)	\$ 55,776
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	53,535	67,336
Provision for bad debts	464,468	605,931
(Increase) in accounts receivable	(373,479)	(588,046)
Decrease in grants receivable	241,287	124,662
Decrease (increase) in inventories	24,475	(40,151)
Decrease in other assets	82,609	55,819
Increase (decrease) in accounts payable	63,729	(192,419)
Increase (decrease) in accrued salaries and benefits	377,699	(273,559)
Net cash provided by (used in) operating activities	<u>155,252</u>	<u>(184,651)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Property and equipment acquisitions	<u>-</u>	<u>(5,000)</u>
Net cash (used in) investing activities	<u>-</u>	<u>(5,000)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on obligation under capital lease	(5,716)	(15,363)
Proceeds from long-term advances	-	400,000
Payments on notes payable and long-term advances	<u>(201,517)</u>	<u>(111,258)</u>
Net cash (used in) provided by financing activities	<u>(207,233)</u>	<u>273,379</u>
 Net (decrease) increase in cash	 (51,981)	 83,728
Cash		
Beginning	<u>115,291</u>	<u>31,563</u>
Ending	<u>\$ 63,310</u>	<u>\$ 115,291</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 26,797</u>	<u>\$ 33,872</u>

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF OPERATIONS

Community Health Foundation of Man WV, Inc. (the Company) is a non-profit West Virginia corporation established as a Federally Qualified Health Center (FQHC) for the purpose of providing primary care services to the residents of Man and Gilbert, West Virginia and the surrounding areas. On January 28, 2010, the Company filed a petition under Chapter 11 of the Bankruptcy Act; subsequent to that filing the Company ceased operations, and began the liquidation of its assets and liabilities.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Statement Presentation

The Company has been unable to generate enough revenue to fund operations. The Company has significant federal and state grant funds that it had received in the past few years; however, these grants have been discontinued by the grantor agencies. On January 28, 2010, the Company filed a petition under Chapter 11 of the Bankruptcy Act with the United States Bankruptcy Court (Southern District of West Virginia). Subsequent to that filing the Company ceased operations, and began the liquidation of its assets and liabilities. The net amount available for distribution under liquidating provisions of the bankruptcy petition depends on many unpredictable factors, such as the amounts realized on the sale of property and equipment, collection of receivables, settlement of claims and commitments, and other uncertainties.

The accompanying financial statements have been prepared in accordance with accounting principles applicable to a going concern. Accounting principles generally accepted in the United States of America require that assets and liabilities be carried on a liquidating basis when a company is in the process of liquidation or liquidation is imminent. The principal effects of this departure from U. S. generally accepted accounting principles are not reasonably determinable.

The Company reports information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets – net assets not subject to donor/grantor-imposed stipulations.

Temporarily restricted net assets – net assets subject to donor/grantor-imposed stipulations that will be met by the passage of time.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Financial Statement Presentation (Continued)

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

Management's Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates. The most significant items affecting the financial statements relate to the collectability of receivables, amounts to be realized on the liquidation of property and equipment, and the settlement of liabilities.

Accounts Receivable

Accounts receivable are unsecured and represent the estimated net realizable amounts from patients, third party payers and others for services rendered. The Company uses the reserve method for accounting for bad debts, and provides for uncollectible amounts within the allowance for doubtful accounts. Amounts that are deemed uncollectible are charged against the allowance. Management's estimates of allowances for doubtful accounts are based on historical experience and analysis of individual patient and third-party receivables. Specific balances are written off at the time they are determined to be uncollectible. Accounts receivable are reported net of allowance for uncollectible accounts and estimated adjustments of \$467,841 and \$920,669 at June 30, 2009 and 2008, respectively.

Charity Care

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

Inventories

Inventories consist of medical and other supplies to be consumed in the treatment of patients and the general operation of the facility. Inventories are stated at cost, based on the first-in, first-out method of valuation.

Compensation for Accrued Absences

A liability has been recognized for unpaid, but earned, paid days off to be subsequently taken by employees.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fixed Assets

Fixed assets are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the related assets, using the American Hospital Association (AHA) lives. Normal repairs and maintenance are expensed as incurred; significant improvements which materially increase values or extend useful lives are capitalized and depreciated over the estimated useful lives of the related assets. Equipment under capital leases is amortized over the estimated life of the equipment. Such amortization is included in depreciation and amortization in the financial statements. The Company's policy is to capitalize fixed assets with an expected useful life greater than one year and a cost in excess of an established threshold. Fixed assets are recorded at cost if purchased and fair value if contributed.

Upon sale or retirement of depreciable assets, the related cost and accumulated depreciation or amortization are removed from the accounts. Any gain or loss on the sale or retirement is recognized in current operations.

Income Taxes

The Organization is a not-for-profit entity that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an entity that is not a private foundation under 509(a)(1). The Organization had no unrelated business income during the years ended June 30, 2009 and 2008.

Fair Value

The carrying amounts reflected in the statements of financial position for cash, accounts receivable, accounts payable and accrued expenses approximate the respective fair values due to the short maturities of those instruments.

Reclassifications

For comparative purposes, certain amounts for the year ended June 30, 2008, have been reclassified to conform to the presentation of the June 30, 2009 amounts.

Economic Dependency and Geographic Concentration

The Company generates a substantial portion of its patient service revenue from services to Medicaid and Medicare beneficiaries. Changes in payment rates or methodologies by those programs could, therefore, significantly impact operations. Patient service revenue is primarily limited to services provided to residents in Man, West Virginia and surrounding communities. General economic conditions in the area significantly influence the Company's ability to collect fees for services rendered.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Patient Service Revenue

The Company has agreements with third party payers that provide for payments to the Company at amounts different from its established rates. Payment arrangements include prospectively determined rates per encounter, cost reimbursement and negotiated rates. The Medicare and Medicaid programs receive cost reports for each fiscal year and may make adjustments to the as filed reports at the time of settlement. Management believes that any subsequent adjustments would not be material in amount.

Advertising and Interest Costs

All advertising and interest costs have been expensed. Advertising costs, included in other expenses in the statements of operations, were \$1,018 and \$930 for the years ended June 30, 2009 and 2008, respectively.

NOTE 3. CASH IN EXCESS OF FDIC LIMIT

The FDIC insures deposits in any single banking institution up to \$250,000. As of June 30, 2009 and 2008, the Company did not have deposits in excess of the insured limit. Additionally, at any given point during a fiscal year the balance may rise above the FDIC limit temporarily. Management believes the credit risk related to the cash balances in excess of insurance is minimal.

NOTE 4. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets are those whose use by the Company has been limited by grantors to a specific time period. Any permanently restricted net assets have been restricted by donors to be maintained by the Company in perpetuity. The Company's temporarily restricted net assets of \$198,551 and \$422,538 at June 30, 2009 and 2008, respectively, were to be used to fund future primary care services. There were no permanently restricted net assets as of June 30, 2009 and 2008.

NOTE 5. THIRD-PARTY RATE ADJUSTMENTS AND REVENUE

A significant portion of net patient service revenue was derived under federal and state third party reimbursement programs. These revenues are based, in part, on cost reimbursement principles and are subject to audit and retroactive adjustment by the respective third party fiscal intermediaries. Laws and regulations governing these programs are extremely complex and subject to interpretation. The Company believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrong doing. However, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 6. OBLIGATION UNDER CAPITAL LEASE

	2009	2008
Canon Financial Services payable in monthly installments of \$583, including interest at 8%, through June 2011, collateralized by equipment with a cost of \$28,734 and accumulated depreciation of \$20,593 at June 30, 2009.	\$ 13,992	\$ 20,988
Less amount representing interest	<u>1,125</u>	<u>2,405</u>
	<u>\$ 12,867</u>	<u>\$ 18,583</u>

The following is a schedule by year of remaining principal payments as of June 30, 2009:

2010	\$ 6,190
2011	<u>6,677</u>
	<u>\$ 12,867</u>

NOTE 7. MALPRACTICE INSURANCE

The Company's employees are covered by the Federal Tort Claims Act, and therefore, no separate professional liability insurance is carried by the Company. The Federal Tort Claims Act covers alleged negligent medical care during the performance of services for FQHCs when performed at covered facilities.

NOTE 8. LONG-TERM DEBT

Long-term debt at June 30, 2009 and 2008, consists of the following:

	2009	2008
Logan Bank & Trust Company, due in monthly installments of \$922, including interest at 5.95%,	\$ -	\$ 11,786
Demand note payable to an individual, with interest at 9%, unsecured.	5,000	10,000

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 8. LONG -TERM DEBT (CONTINUED)

	2009	2008
Logan Bank & Trust Company, due in monthly installments of \$9,626, including interest at 7.25%, maturing July 2011, secured by radiology and other equipment, and accounts receivable	\$ 233,859	\$ 318,586
U.S Dept. of Health and Human Services, Health Resources and Services Administration (HRSA) advances, monthly installments of \$8,333, without interest, unsecured.	<u>183,334</u>	<u>283,334</u>
	422,193	623,706
Less current installments	<u>224,914</u>	<u>196,713</u>
Long-term debt, excluding current installments	<u>\$ 197,279</u>	<u>\$ 426,993</u>

The following is a schedule by year of future maturities as of June 30, 2009:

2010	\$ 224,914
2011	194,229
2012	<u>3,050</u>
	<u>\$ 422,193</u>

NOTE 9. CLASSIFICATION OF EXPENSES

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

	2009	2008
General and administrative	\$ 1,094,274	\$ 947,350
Primary care services	<u>3,474,390</u>	<u>3,806,013</u>
	<u>\$ 4,568,664</u>	<u>\$ 4,753,363</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 10. BLACK LUNG PROGRAM

The Company provides black lung health care services to patients through the West Virginia Department of Health and Human Resources Primary Care Division Black Lung Center Program. Activity in fiscal 2009 related to this program is as follows:

REVENUE

Patient service revenues, net	\$ 85,105
Grant funding	208,000
Contractual allowances	<u>(46,713)</u>
	<u>246,392</u>

EXPENSES

Salaries	231,627
Employee benefits and taxes	54,124
Other	<u>26,647</u>
Total expenses	<u>312,398</u>

(Excess) of expenses over revenues \$ (66,006)

NOTE 11. UNCERTAIN TAX POSITIONS

Accounting Standards Codification Topic 740-10 prescribes a recognition threshold and measurement attribute for a tax position taken or expected to be taken in a tax return where there is uncertainty about whether a tax position will ultimately be sustained upon examination. On July 1, 2008, the Company adopted the recognition and disclosure provisions of the standard. The adoption of this standard did not have an effect on the Company's financial position or changes in net assets. The Company does not believe its financial statements include (or reflect) any uncertain tax positions. The Company's federal Return of Organizations Exempt from Income Taxes for tax years 2006, 2007 and 2008 remain subject to examination by the Internal Revenue Service.

NOTE 12. SUBSEQUENT EVENTS

Accounting Standards Codification Topic 855, defines further disclosure requirements for events that occur after the balance sheet date but before financial statements are issued. The standard is effective for the Company beginning with the fiscal year ended June 30, 2009. The Company's management has evaluated events subsequent from June 30, 2009 through November 19, 2010, which is the date this report is available to be issued. With the exception of the following matter, there were no material subsequent events that required recognition or additional disclosure in these financial statements. On January 28, 2010, the Company filed a petition under Chapter 11 of the Bankruptcy Act with the United States Bankruptcy Court (Southern District of West Virginia), ceased operations, and began the liquidation of its assets and liabilities.

COMMUNITY HEALTH FOUNDATION OF MAN WV, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2009

	<u>Federal CFDA Number</u>	Pass - Through Entity Identifying <u>Number</u>	<u>Federal Expenditures</u>
DIRECT AWARDS			
U.S. Department of Health and Human Services			
Community Health Centers	93.224		\$ 607,045
ARRA - Increased Demand for Services	93.703		52,000
PASS THROUGH AWARD			
West Virginia Department of Health and Human Resources			
Black Lung Clinics Program	93.965	G 090095	<u>177,767</u>
Total Federal Awards			<u>\$ 836,812</u>
Loan	93.224		\$ 300,000
Outstanding			\$ 183,334

NOTE A: The schedule of expenditures of federal awards is prepared on the accrual basis of accounting. 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*. Therefore, some amounts presented may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B: In addition to the Community Health Centers grant award shown above, the U.S. Department of Health and Human Services has provided an advance under this program in the amount of \$300,000. Community Health Foundation of Man WV, Inc. is required to repay the advance at the rate of \$8,333 per month until the advance is liquidated. At June 30, 2008 and 2009, \$283,334 and \$183,334, respectively, was outstanding under this loan.

COMMUNITY HEALTH FOUNDATION OF MAN WV, INC.
 SCHEDULE OF EXPENDITURES OF STATE AWARDS
 Year Ended June 30, 2009

	<u>Identifying Number</u>	<u>Expenditures</u>	<u>Receipts</u>
West Virginia Department of Health and Human Services			
Primary Care			
Uncompensated Care	G 090045	\$ 270,852	\$ 270,852
Black Lung Clinics Program	G 090095	<u>30,233</u>	<u>30,233</u>
		<u>\$ 301,085</u>	<u>\$ 301,085</u>

NOTE A: The schedule of expenditures of state awards is prepared on the accrual basis of accounting. 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*. Therefore, some amounts presented may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**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***

To the Board of Directors
Community Health Foundation of Man WV, Inc.
Man, West Virginia

We have audited the financial statements of Community Health Foundation of Man WV, Inc. (In Process of Liquidation) as of and for the year ended June 30, 2009, and have issued our report thereon dated November 19, 2010. 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.

In our report on the financial statements, we expressed an adverse opinion, because on January 28, 2010, the Company filed a petition under Chapter 11 of the Bankruptcy Act with the United States Bankruptcy Court (Southern District of West Virginia), ceased operations, and began the liquidation of its assets and liabilities. The Company's June 30, 2009 financial statements have been prepared in accordance with accounting principles applicable to a going concern. Accounting principles generally accepted in the United States of America require that assets and liabilities be carried on a liquidating basis when a company is in the process of liquidation or liquidation is imminent. The principal effects of this departure from U. S. generally accepted accounting principles are not reasonably determinable.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Community Health Foundation of Man WV, 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 Community Health Foundation of Man WV, Inc.'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 misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of 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 internal control that might be 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 questioned costs as item 2009-2, 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Community Health Foundation of Man WV, 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2009-1.

We noted certain other matters that we reported to management of Community Health Foundation of Man WV, Inc. in a separate letter dated November 19, 2010.

Community Health Foundation of Man WV, Inc.'s responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Community Health Foundation of Man WV, Inc.'s responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the board of directors, management, and 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.

Toothman Rice, P.C.

Bridgeport, West Virginia
November 19, 2010

DHHR - Finance

FEB 23 2011

Date Received

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

To the Board of Directors
Community Health Foundation of Man WV, Inc.
Man, West Virginia

Compliance

We have audited the compliance of Community Health Foundation of Man WV, Inc. (In Process of Liquidation) 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, 2009. Community Health Foundation of Man WV, Inc.'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 its major federal programs is the responsibility of the Company's management. Our responsibility is to express an opinion on Community Health Foundation of Man WV, Inc.'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 Community Health Foundation of Man WV, Inc.'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 Community Health Foundation of Man WV, Inc.'s compliance with those requirements.

In our opinion, Community Health Foundation of Man WV, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2009-1.

Internal Control Over Compliance

The management of Community Health Foundation of Man WV, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to governmental programs. In planning and performing our audit, we considered Community Health Foundation of Man WV, Inc.'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 Community Health Foundation of Man WV, Inc.'s internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Community Health Foundation of Man WV, Inc.'s internal control over compliance.

A deficiency in 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 and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of significant deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item 2009-2. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Community Health Foundation of Man WV, Inc.'s responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Community Health Foundation of Man WV, Inc.'s responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the board of directors, management, and 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.

Toothman Rice, P.A.C.

Bridgeport, West Virginia
November 19, 2010
DHHR - Finance

FEB 23 2011

III

Date Received

COMMUNITY HEALTH FOUNDATION OF MAN WV, INC.
(In Process of Liquidation)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2009

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Adverse opinion

Internal control over financial reporting:

Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over financial reporting:

Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None Reported

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 510 (a) of Circular A-133? Yes No

Identification of Major Programs:

Community Health Centers CFDA No. 93.224
ARRA – Increased Demand for Services 93.703

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

Auditee qualified as low-risk auditee? Yes No

COMMUNITY HEALTH FOUNDATION OF MAN WV, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2009

Section II – Financial Statement Findings and Questioned Costs

2009-1: Late Filing of Audit Report

Condition: Internal control procedures should be in place to ensure that all required reporting requirements are met in a timely fashion. The Company filed its OMB Circular A-133 audit after the required filing deadlines. Management was aware of this situation and was monitoring it; however, with the bankruptcy filings it was not possible for them to accomplish the timely filing of the report.

Criteria: Federal guidelines require an OMB Circular A-133 audit to be filed within 9 months after the end of the fiscal year to which it relates.

Effects: Audit funding could be revoked or requested to be returned.

Questioned Costs: There were no questioned costs associated with this finding.

Recommendations: The Company entered bankruptcy during the period required to complete its audit. Due to several factors (including the fact that all work then must be approved by the bankruptcy court), the commencement and completion of the audit was delayed. No recommendation is made for this finding as the entity has ceased operations.

2009-2: Separation of Duties.

Condition: Due to the small size of the Company, several processes, including record keeping, custody of assets and approval for transactions are conducted by the management of the organization. The concentration of duties was increased with the filing for bankruptcy protection in 2010.

Criteria: Generally, the internal control structure of an organization is designed to separate record keeping, approval of transactions and custody of assets.

Effects: If the individual responsible for these activities was inclined to commit fraud, the internal control structure may not locate and eliminate this fraud, due to the lack of segregation of duties in the accounting functions.

Questioned Costs: There were no questioned costs associated with this finding.

Recommendations: The Company entered into cost cutting measures that included layoffs and bankruptcy during 2010. No recommendation is made for this finding as the entity has ceased operations.

Section III – Federal Award Findings and Questioned Costs

2009-1: See above

2009-2: See above

Section IV – Corrective Action Plan

2009-1

Management agrees with this finding and the fact that it was not able to prevent the late filing. Management has always strived to comply with all filing deadlines and if grant funds are again involved with this management team they will institute appropriate policies to ensure compliance.

2009-2

Management in its attempt to resolve the financial difficulties at the Company, laid off some employees and in the end filed for bankruptcy protection. This situation resulted in fewer staff to delegate duties to and created a situation in which the Company could not separate all of the duties it had previously separated. Management agrees with the finding but because the Company is no longer in operation, it cannot resolve the situation at this time.

Section V – Summary of Prior Audit Findings

There were no prior year findings.