

CAMDEN-ON-GAULEY MEDICAL CENTER, INC.

FINANCIAL REPORT AND SINGLE AUDIT REPORTS

NOVEMBER 30, 2010

DHHR - Finance

JUN 6 2011

Date Received

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

To the Board of Directors
Camden-On-Gauley Medical Center, Inc.
Camden On Gauley, West Virginia

We have audited the accompanying statements of financial position of Camden-On-Gauley Medical Center, Inc., a non-profit organization, as of November 30, 2010 and 2009, and the related statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Camden-On-Gauley Medical Center, Inc. as of November 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 05, 2011, on our consideration of Camden-On-Gauley Medical Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 2010 audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules of expenditures of federal and state awards is 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 is not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures applied in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Joseph M. Rice, CPA

Bridgeport, West Virginia
May 05, 2011

DHHR - Finance

JUN 6 2011

Date Received

CAMDEN-ON-GAULEY MEDICAL CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
NOVEMBER 30, 2010 AND 2009

	2010	2009
ASSETS		
Cash	\$ 516,963	\$ 190,029
Certificate of deposit	107,937	107,732
Accounts receivable, net	194,377	206,400
Medicare and Medicaid cost settlements receivable	50,000	55,000
Federal and state grants receivable	102,194	-
Other receivable	-	61,846
Inventories	71,245	71,858
Prepaid expenses and deposits	11,395	10,793
Total current assets	<u>1,054,111</u>	<u>703,658</u>
PROPERTY AND EQUIPMENT, at cost		
Land	11,550	11,550
Buildings and improvements	1,137,862	976,158
Furniture and equipment	579,152	579,152
	<u>1,728,564</u>	<u>1,566,860</u>
Less accumulated depreciation	<u>1,088,883</u>	<u>1,018,056</u>
	<u>639,681</u>	<u>548,804</u>
Total assets	<u>\$ 1,693,792</u>	<u>\$ 1,252,462</u>
LIABILITIES AND NET ASSETS		
Capital lease obligation, current portion	\$ 24,430	\$ 27,304
Accounts payable	41,651	100,319
Accrued wages and payroll taxes	102,961	125,066
Total current liabilities	<u>169,042</u>	<u>252,689</u>
Capital lease obligation, long-term portion	10,215	34,645
Total liabilities	<u>179,257</u>	<u>287,334</u>
NET ASSETS		
Temporarily restricted to fund future primary care health services	103,605	-
Unrestricted	1,410,930	965,128
Total net assets	<u>1,514,535</u>	<u>965,128</u>
Total liabilities and net assets	<u>\$ 1,693,792</u>	<u>\$ 1,252,462</u>

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

CAMDEN-ON-GAULEY MEDICAL CENTER, INC.
 STATEMENTS OF ACTIVITIES
 FOR THE YEARS ENDED NOVEMBER 30, 2010 AND 2009

	2010	2009
CHANGE IN UNRESTRICTED NET ASSETS		
Revenues and support		
Net patient service revenues	\$ 1,956,471	\$ 2,091,309
Donated drugs and supplies	207,873	216,200
Other	62	851
Total revenues and support	<u>2,164,406</u>	<u>2,308,360</u>
Expenses		
Salaries and wages	1,338,245	1,473,366
Payroll taxes and employee benefits	262,955	309,703
Donated drugs and supplies	207,873	258,297
Medical supplies	202,206	249,064
Bad debts	201,662	373,887
Contracted services	158,454	153,252
Equipment and maintenance	65,135	50,751
Depreciation	70,827	54,851
Dues and publications	9,158	11,162
Insurance	23,430	17,452
Taxes	1,620	4,109
Travel	4,108	9,683
Education	14,637	8,663
Interest	2,044	215
Other	260,267	225,251
Total expenses	<u>2,822,621</u>	<u>3,199,706</u>
Revenues and support (under) expenses	<u>(658,215)</u>	<u>(891,346)</u>
Other income		
Interest income	322	286
Contributions	63,588	66,325
Federal grants	914,344	955,352
State grants	125,763	122,769
	<u>1,104,017</u>	<u>1,144,732</u>
CHANGE IN UNRESTRICTED NET ASSETS	445,802	253,386
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS		
Federal and state grants to fund future primary care services	<u>103,605</u>	<u>-</u>
CHANGE IN NET ASSETS	549,407	253,386 <i>Net income</i>
NET ASSETS AT BEGINNING OF YEAR	<u>965,128</u>	<u>711,742</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,514,535</u>	<u>\$ 965,128</u>

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

CAMDEN-ON-GAULEY MEDICAL CENTER, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED NOVEMBER 30, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 549,407	\$ 253,386
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	70,827	54,851
Decrease in accounts receivable, net	12,023	41,560
Decrease in Medicare and Medicaid cost settlements	5,000	49,000
(Increase) in grants and other receivables	(40,348)	(55,058)
Decrease in inventories	613	29,906
(Increase) in prepaid expenses and deposits	(602)	(3,561)
(Decrease) increase in accounts payable	(58,668)	60,330
(Decrease) increase in accrued wages and payroll taxes	(22,105)	6,011
Net cash provided by operating activities	<u>516,147</u>	<u>436,425</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) in certificate of deposit	(205)	(226)
Property and equipment acquisitions	<u>(161,704)</u>	<u>(255,767)</u>
Net cash (used in) investing activities	<u>(161,909)</u>	<u>(255,993)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (payments) on line of credit	-	(30,000)
Payments on capital lease obligations	<u>(27,304)</u>	<u>(24,965)</u>
Net cash (used in) financing activities	<u>(27,304)</u>	<u>(54,965)</u>
 Net increase in cash	 326,934	 125,467
 Cash		
Beginning	<u>190,029</u>	<u>64,562</u>
Ending	<u>\$ 516,963</u>	<u>\$ 190,029</u>
 Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 2,044</u>	<u>\$ 215</u>

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF OPERATIONS

Camden-On-Gauley Medical Center, Inc., (the Organization) is a nonprofit entity established as a Federally Qualified Health Center (FQHC) for the purpose of providing primary care services to the residents of Webster County, West Virginia and a major portion of Nicholas County, West Virginia and the surrounding areas. The Organization's revenues are received primarily from patients and governmental grants supporting its various programs and health initiatives. The Organization is headquartered in Camden on Gauley, West Virginia.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Reporting

These financial statements have been prepared on the accrual basis of accounting. The Organization is required to report 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 either by actions of the Organization and/or the passage of time.

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

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 in conformity with accounting principles generally accepted in the United States of America 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. Significant estimates affecting the financial statements relate to the collectability of receivables, valuation of inventories, depreciation, and fair value of financial assets and liabilities.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of the statements of financial position and cash flows, the Organization considers all highly liquid investments which are readily convertible into known amounts of cash and have a maturity of three months or less when acquired to be cash equivalents.

Accounts Receivable, net

Accounts receivable are unsecured and represent the estimated net realizable amounts from patients, third party payers, and others for services rendered. The Organization utilizes 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 reserve. As of November 30, 2010 and 2009, the allowances for uncollectible accounts were \$328,366 and \$443,712, respectively.

Inventories

Inventories consist of medical and other supplies to be consumed in the treatment of patients and the general operation of the facility. Except for the drugs inventory, which is stated at the average wholesale price, inventories are stated at cost, based on the first-in, first-out method of valuation.

Property and Equipment

Property and equipment are stated at cost for purchased items and fair value for contributed items. Assets whose expected useful life is in excess of one year and cost (or fair value) is above a threshold established by the Board of Directors are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, using the American Hospital Association estimated useful lives. Normal repairs and maintenance are expensed as incurred.

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.

Charity Care

The Organization provides care to patients who meet certain criteria without charge or at amounts less than its established rates under a sliding fee arrangement covered by grant funds. Because the Organization does not pursue collection of these amounts, they are not included in net patient revenues.

Fair Value

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donor Restrictions

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported on the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying financial statements.

Economic Dependency

The Organization receives a significant portion of its support from federal and state government grants and patient revenues. A material reduction in the level of support or nonpayment of fees generated would have a significant impact on the Organization's programs and activities and its ability to continue as a going concern. Patient service revenue is primarily limited to services provided to the residents of Webster and Nicholas Counties and the surrounding area. General economic conditions in the area significantly influence the Organization's ability to collect fees for services rendered.

Revenue Recognition

Net patient service revenue is reported at the estimated net realizable amounts from patients and third-party payers. Revenues are based on encounters performed and medical services provided. The Organization is approved as a Federally Qualified Health Center (FQHC). As an FQHC, the Organization will receive cost-based reimbursement from the Medicare and Medicaid programs. Contractual allowances against these revenues were \$1,004,333 and \$1,028,193 for the years ended November 30, 2010 and 2009, respectively.

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 November 30, 2010 and 2009.

Accounting Standards prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Management has concluded that there are no uncertain tax positions requiring recognition in the financial statements. The Organization does not believe it is subject to tax examinations for tax years before 2006.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Items

Advertising and interest costs are expensed as incurred. Total advertising costs for the years ended November 30, 2010 and 2009 were \$11,066 and \$5,849, respectively.

NOTE 3. 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. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. In the opinion of management, retroactive adjustments, if any, would not be material to the financial position or results of operations of the Organization.

NOTE 4. CASH BALANCES IN EXCESS OF INSURANCE

The Organization maintains accounts in local banks where deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Differences between book and bank balances exist due to deposits in transit, outstanding checks and other reconciling items. The Organization's balances may occasionally exceed the FDIC limits; however, management believes the risk relating to the uninsured excess is minimal.

NOTE 5. PROGRAM AND OTHER EXPENDITURES

Directly identifiable expenses are charged to program and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. General operating expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Organization.

Expenditures for the year ended November 30, 2010, with comparative totals as of November 30, 2009, were as follows:

	2010	2009
Administrative and general	\$ 569,216	\$ 552,810
Program services	<u>2,253,405</u>	<u>2,646,896</u>
	<u>\$2,822,621</u>	<u>\$3,199,706</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 6. OBLIGATIONS UNDER CAPITAL LEASES

As of November 30, 2010 and 2009, the Organization's capital lease obligations were as follows:

	2010	2009
Court Square Leasing Corporation, due in monthly installments of \$685 including imputed interest at 10%; secured by equipment with a cost of \$32,240 and accumulated depreciation of \$17,732 at November 30, 2010.	\$ 17,038	\$ 23,214
Key Equipment Finance, Inc., due in monthly installments of \$1,761; secured by equipment with a cost of \$72,773 and accumulated depreciation of \$48,516 at November 30, 2010.	<u>17,607</u>	<u>38,735</u>
	34,645	61,949
Less current portion	<u>24,430</u>	<u>27,304</u>
	<u>\$ 10,215</u>	<u>\$ 34,645</u>

Future payments on capital lease obligations are as follows:

	2011	\$ 25,827
	2012	8,220
	2013	<u>2,740</u>
		36,787
Less imputed interest		<u>2,142</u>
		<u>\$ 34,645</u>

NOTE 7. LINE OF CREDIT

The Organization has a \$100,000 line of credit with United Bank, Inc. Advances under the line are payable on demand and carry a variable interest rate. The credit line is secured by property held by the Organization. As of November 30, 2010 and 2009, there were no outstanding balances on the line of credit.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 8. MALPRACTICE INSURANCE

The Organization's employees are deemed to be employees of the Federal Government for the purpose of malpractice liability protection under the Federal Tort Claims Act. Pursuant to Section 224 of the Public Health Services Act, the Federal Tort Claims Act covers alleged negligent medical care during the performance of services for FQHCs when performing covered services at covered facilities.

NOTE 9. RENTAL EXPENSE

The Organization rents facilities and various equipment under various short-term lease agreements for which the total minimum rental commitment at November 30, 2010 and 2009 is not material. The total rental expense under these arrangements included in the statements of activities for the years ended November 30, 2010 and 2009, is \$23,940 and \$28,695, respectively.

NOTE 10. SUBSEQUENT EVENTS

Accounting Standards describe disclosure requirements for events that occur after the balance sheet date but before financial statements are issued. The Organization's management has evaluated events subsequent from November 30, 2010 through May 05, 2011, which is the date this report is available to be issued. There has been no material event noted during this period that would either impact the results reflected in this report or the Organization's results going forward.

NOTE 11. CONTINGENCIES

The Organization has encountered two situations which may result in a financial loss, but which will only be resolved when one or more future events occur or fail to occur. The Organization's management has assessed these two unasserted claims that may result in legal proceedings. Such assessment involves an exercise of judgment. At the present time the outcome of these unasserted claims is not subject to accurate determination. The Organization will be defended by the Federal Government, under the federal tort claims act, and its insurance carrier if these situations develop further. There have been no significant developments and no liability has been recorded for any potential loss that may result from these potential lawsuits.

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
Camden-On-Gauley Medical Center, Inc.
Camden On Gauley, West Virginia

We have audited the financial statements of Camden-On-Gauley Medical Center, Inc. (a nonprofit organization) as of and for the year ended November 30, 2010, and have issued our report thereon dated May 05, 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 Camden-On-Gauley Medical Center, 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 Camden-On-Gauley Medical Center, 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses (Items 2010-1 and 2010-2).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Camden-On-Gauley Medical Center, 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 the board of directors, management and governmental awarding agencies and is not intended to be and should not be used by anyone other than these specified parties

Joelman Rice PLLC

Bridgeport, West Virginia
May 05, 2011

DHHR - Finance

JUN 6 2011

Date Received

Internal Control Over Compliance

The management of Camden-On-Gauley Medical Center, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Camden-On-Gauley Medical Center, Inc.'s internal control over compliance with the 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, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Camden-On-Gauley Medical Center, Inc.'s internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2010-1 and 2010-2 to be material weaknesses.

This report is intended solely for the information and use of the board of directors, management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Josephman Lee Ph.D.

Bridgeport, West Virginia
May 05, 2011

DHHR - Finance

JUN 6 2011

Date Received

CAMDEN-ON-GAULEY MEDICAL CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED NOVEMBER 30, 2010

Federal Grantor	Federal CFDA/ Grant Number	Award Amount	2009 Receivable (Deferred)	Disbursements/ Expenditures	2010 Receivable
US Department of Health and Human Services-Health Resources & Services Administration					
Community Health Centers Program - H80CS00078-08-02	93.224	\$ 669,141	\$ -	\$ 669,141	\$ -
ARRA-Capital Improvement Program - C81CS13697-01-01	93.703	418,455	-	161,437	-
ARRA-Increase Services to Health Centers - H8BCS12122-01-01	93.703	161,095	-	83,766	47,152
Subtotal of CFDA #	93.703	<u>579,550</u>	<u>-</u>	<u>245,203</u>	<u>47,152</u>
Total expenditures of federal awards		<u>\$ 1,248,691</u>	<u>\$ -</u>	<u>\$ 914,344</u>	<u>\$ 47,152</u>

Note A - Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Camden on Gauley Medical Center, Inc. and is presented on the accrual basis of accounting. This 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 the amounts presented in, or used in the preparation of the basic financial statements.

CAMDEN-ON-GAULEY MEDICAL CENTER, INC.
 SCHEDULE OF EXPENDITURES OF STATE AWARDS
 FOR THE YEAR ENDED NOVEMBER 30, 2010

State Grantor	Grant Number	Award Amount	2009 Receivable (Deferred)	Disbursements/ Expenditures	2010 Receivable (Deferred)
Department of Health and Human Human Resources -					
Uncompensated Care Grant (7/1/09 - 6/30/10)	G100076	\$ 125,763	\$ -	\$ 85,905	\$ -
Uncompensated Care Grant (7/1/08 - 6/30/09)	G110308	94,900	<u>-</u>	<u>39,858</u>	<u>55,042</u>
Total expenditures of state awards			<u>\$ -</u>	<u>\$ 125,763</u>	<u>\$ 55,042</u>

Note A – Basis of Presentation

The schedule of expenditures of state awards includes the state grant activity of Camden-On-Gauley Medical Center, Inc. and is presented on the accrual basis of accounting. This 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 the amounts presented in, or used in the preparation of the basic financial statements.

CAMDEN-ON-GAULEY MEDICAL CENTER, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED NOVEMBER 30, 2010

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unqualified opinion

Internal control over financial reporting:
 Material weakness(es) identified? X Yes No
 Significant deficiency(ies) identified
 that are not considered to be
 material weaknesses? Yes X None
 Reported

Noncompliance material to financial
 statements noted? Yes X No

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? X Yes No
 Significant deficiency(ies) identified
 that are not considered to be
 material weaknesses? Yes X 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? X Yes No

Identification of Major Programs:

CFDA Numbers
 93.224

Name of Federal Program
 Community Health Centers Program

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

Auditee qualified as low-risk auditee? X Yes No

CAMDEN-ON-GAULEY MEDICAL CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED NOVEMBER 30, 2010

Section II – Financial Statement Audit

2010-1 Separation of Duties

Condition: Due to the small size of the Organization, several processes related to the disbursement of funds, record keeping, custody of assets and approval for transactions were conducted by one employee of the Organization. The person responsible for general ledger transactions was also responsible for reconciling the bank statements and had access to blank check stock.

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

Effect: The result is the possibility that intentional or unintentional errors could be made and not detected.

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

Recommendations: We recognize that in an organization that has a limited number of staff a proper separation of duties is not possible. Due to the limited number of staff, it is not believed this condition can be entirely alleviated at the current time. The Organization is searching for a new Chief Executive Officer, and it is believed that when that person is employed improvements will be made in this condition.

Views of Responsible Officials and Planned Corrective Actions: The Center agrees that due to the need to replace the CEO the separation of duties is compounded. This situation will be remediated subsequent to year end with the employment of additional administrative staff and a modification of procedures in the accounting department.

2010-2 Application of Internal Controls – Check Signatures

Condition: During our testing of disbursements, we noted a number of checks that were paid but did not have the number of signatures required by the Organization's internal control policies.

Criteria: The Organization, as part of its internal control system, requires all checks to be signed by two individuals. One of the signers is required to be separate from the accounting department, such as a board member.

Effect: If the internal controls are not followed fraud or errors could occur and not be detected by the Organization.

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

CAMDEN-ON-GAULEY MEDICAL CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED NOVEMBER 30, 2010

Recommendations: We recommend that every check be carefully reviewed and processed, and that all checks receive the appropriate approvals prior to disbursement.

Views of Responsible Officials and Planned Corrective Actions: The Center agrees that due to oversights during the year, some checks were inadvertently processed without the proper signatures. The management of the Organization will discuss this situation with the accounting staff and ensure all future disbursements are appropriately authorized.

Section III – Major Federal Awards Programs Audit

Department of Health & Human Services – Health Resources and Services Administration -
Community Health Centers Program (CFDA 93.224)

2010-1 Separation of Duties – Material Deficiency

The material internal control deficiency described above also applies to this major program.

2010-2 Application of Internal Controls – Check Signatures – Material Deficiency

The material internal control deficiency described above also applies to this major program.

Section V – Summary Schedule of Prior Audit Findings

No prior year audit findings.

May 05, 2011

To the Board of Directors
Camden-On-Gauley Medical Center, Inc.

We have audited the financial statements of Camden-On-Gauley Medical Center, Inc. for the year ended November 30, 2010, and have issued our report thereon dated May 05, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 16, 2010. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Camden-On-Gauley Medical Center, Inc. are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2010. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the allowance for doubtful accounts and contractual allowances on receivables and revenue is based on historical averages and current year receipts. We evaluated the key factors and assumptions used to develop the allowances in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of the allowance for doubtful accounts and contractual allowances in Note 2 to the financial statements.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes the material misstatements detected as a result of our audit procedures. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 05, 2011.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

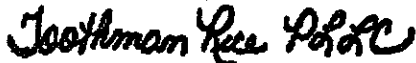
Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of board of directors and management of Camden-On-Gauley Medical Center, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Toothman Rice, PLLC



Bridgeport, West Virginia

DHHR - Finance

JUN 6 2011

Date Received

Client: **Camden-On-Gauley Medical Center, Inc.**
 Engagement: **Camden-On-Gauley Medical Center, Inc.**
 Period Ending: **11/30/2010**
 Workpaper: **Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1				
To adjust accumulated depreciation				
		I.01-1		
161-0-0	Accum Depr - Building Improv		16 94	
170-0-0	Accum Depr - Office Equip		319 08	
173-0-0	Accum. Depr - Medical Equip		776 88	
821-0-L	Depreciation - Building Imp		16,698 82	
834-0-L	Depr - Facility/Housekeeping		179 08	
836-0-K	Depreciation - Computer System		2,412 31	
160-0-0	Accum Depr. - Building Improv			16,698 82
163-0-0	Accum Depr. - Addition/Ren			0 02
174-0-0	Accum. Depr. - Facility/House			179 08
176-0-0	Accum. Depr. - Computer System			2,412 29
823-0-L	Depreciation - Addition/Ren			16 94
830-0-K	Depreciation - Office Equip			319 08
833-0-A	Depreciation - Medical Equip			776 88
Total			20,403.11	20,403.11
Adjusting Journal Entries JE # 2				
To adjust leases payable				
		K.01		
226-0-0	Payable - Cap Lease Coper-ST		2,874 70	
227-0-0	Payable - Cap Lease-Copier LT		6,822 71	
859-0-K	Interest - Other		2,030 95	
223-0-0	Payable - Key Equip Finance			3,521 40
842-0-K	Equip - Lease/Rent - Admin			8,206 96
Total			11,728.36	11,728.36
Adjusting Journal Entries JE # 3				
to reclassify workers compensation				
		GL		
624-0-K	Workers' Comp - Admin		8,286 37	
219-0-0	Payable - Workers Comp			8,286 37
Total			8,286.37	8,286.37
Adjusting Journal Entries JE # 4				
To record receivable from State Grant				
		4b.01		
128-0-0	Grant Receivable		47,152 00	
128-0-0	Grant Receivable		55,042 00	
240-7-0	Grants Paid in advance			102,194 00
Total			102,194.00	102,194.00

Client: **Camden-On-Gauley Medical Center, Inc.**
 Engagement: **Camden-On-Gauley Medical Center, Inc.**
 Period Ending: **11/30/2010**
 Workpaper: **Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 5		3b.02		
to adjust ar allowance				
120-0-0	Acct Receivable - Patient		29,494.76	
121-0-0	Allow for Dbtful Account		85,000.00	
121-3-0	Allow for Dbtful Account			34,170.10
121-7-0	Allow for Dbtful Account			32,306.27
805-0-0	Bad Debts - Estimated Expense			48,018.39
Total			114,494.76	114,494.76

Adjusting Journal Entries JE # 6		3b.4		
to adjust cost report receivable				
126-0-0	AR Cash Settlements MCD		1,791.00	
127-0-0	AR Cost Settlements - MCRE		7,790.00	
424-0-0	Income - Cost Settlements			9,581.00
Total			9,581.00	9,581.00