HEALTHWAYS, INC. AND AFFILIATE
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JUNE 30, 2010

SEACHRIST, KENNON & MARLING, A.C.

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Employee Benefit Plan Audit Quality Center

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
HealthWays, Inc. & Affiliate
Weirton, West Virginia

We have audited the accompanying consolidated statement of financial position of HealthWays, Inc. and Affiliate (non-profit organizations) as of June 30, 2010, and the related consolidated statement of activities and changes in net assets, and consolidated statement of cash flows for the year then ended. These consolidated financial statements are the responsibility of HealthWays, Inc. and Affiliate's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of HealthWays, Inc. and Affiliate as of June 30, 2010, and its changes in net assets and its cash flows for the year 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 February 22, 2011, on our consideration of HealthWays, Inc.'s and Affiliate'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.

DHHR - Finance

JUL 31 2012

Date Received

Seachrist, Kennon & Marling, A.C.

Wheeling, West Virginia
February 22, 2011

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HEALTHWAYS, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2010

	HealthWays, Inc.	Greenbrier Manor, Inc.	Combined 2010
ASSETS:			
Current assets:			
Cash and cash equivalents	$ 4 427,517	$ 4,096	$ 4,431,613
Client receivables, net	765 253	-	765,253
Contract receivables	595,075	-	595,075
Prepaid insurance	-	1 098	1,098
Deposits and prepaid assets	80,352	-	80,352
Total current assets	5,868,197	5,194	5,873,391
Deposits held in trust and restricted revenue accounts	-	2,065	2,065
Restricted Deposits and Funded Reserves	-	29,200	29,200
Plant, property and equipment:			
Land	49,184	30,000	79,184
Buildings	3,128,451	461,735	3,590 186
Equipment	831 401	-	831 401
Furniture and fixtures	74,359	20,409	94,768
Vehicles	871,972	-	871,972
	4 955 367	512,144	5 467 511
Less accumulated depreciation	(3,082,506)	(145,292)	(3,227,798)
Property and equipment, net	1,872,861	366,852	2,239,713
Other assets, at cost:			
Investments	595,071	-	595 071
Investment in joint venture	86,172	-	86,172
Total other assets	681,243	-	681,243
Total assets	$ 8,422,301	$ 403,311	$ 8,825,612
LIABILITIES & NET ASSETS:			
Current liabilities:			
Accounts payable	$ 530 777	$ 7,953	$ 538 730
Provider tax payable	20 090	-	20,090
Accrued wages and benefits	352 094	-	352 094
Reserve for third party settlements	(1,500)	-	(1,500)
Deferred income	127,453	-	127,453
Tenant security deposits	-	1,713	1,713
Total current liabilities	1,028,914	9,666	1,038,580
Long-Term Liabilities:			
Mortgage payable	-	378,400	378,400
Total liabilities	1,028,914	388,066	1,416,980
Net assets:			
Unrestricted net assets	7,350 675	15,245	7 365 920
Temporarily restricted net assets	42,712	-	42,712
Total net assets	7,393,387	15,245	7,408,632
Total liabilities and net assets	$ 8,422,301	$ 403,311	$ 8,825,612

The accompanying notes are an integral part of these financial statements

HEALTHWAYS, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010

	HealthWays, Inc.	Greenbrier Manor, Inc.	Combining Entries	Combined 2010
UNRESTRICTED NET ASSETS:				
Support and Revenues				
Net client service revenue	$ 7,264,807	$ -	$ -	$ 7,264,807
Rental income	-	31 112	-	31,112
Tenant assistance payments	-	9,550	-	9,550
West Virginia Department of Health and Human Resources funding	2,107,371	-	-	2,107,371
Other support	247,730	-	-	247,730
Workshops and rentals	22,560	-	-	22,560
Investment income (loss)	150,604	221	-	150,825
Management fee revenue	9,612	-	(3,936)	5,676
Tenant charges	-	1,290	-	1.290
Other revenue	7,416	1,745	-	9,161
Total support and revenues	9,810,100	43,918	(3,936)	9,850,082
Net assets released from restrictions	-	-	-	-
Total revenues and reclassifications	9,810,100	43,918	(3,936)	9,850,082
Operating Expenses				
Salaries and wages	3,311,547	-	-	3,311,547
Employee benefits	1,072,606	-	-	1,072,606
Contracted services	3,235,954	6,772	-	3,242,726
Supplies	193,277	9,133	-	202,410
Transportation	243,562	-	-	243,562
Utilities and telephone	131,576	9,664	-	141,240
Maintenance	149,911	2.058	-	151,969
Depreciation	216,732	11,954	-	228,686
Bad debt	55,470	-	-	55,470
Insurance	106,062	4,165	-	110,227
Provider tax	310 466	-	-	310,466
Management fees	-	3,936	(3,936)	-
Investment fees	5,984	-	-	5,984
Other	92,305	4,622	-	96,927
Total expenses	9,125,452	52,304	(3,936)	9,173,820
Increase (decrease) in unrestricted net assets	684,648	(8,386)	-	676,262

The accompanying notes are an integral part of these financial statements

HEALTHWAYS, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010

	HealthWays, Inc.	Greenbrier Manor, Inc.	Combining Entries	Combined 2010
TEMPORARILY RESTRICTED NET ASSETS:				
Support and Revenues				
Grants	-	-	-	-
Net assets released from restrictions	-	-	-	-
Increase (decrease) in temporarily restricted net assets	-	-	-	-
Increase (decrease) in net assets	684,648	(8,386)	-	676,262
Net assets, beginning of year	6,708,739	23,631	-	6,732,370
Net assets, end of year	$ 7,393,387	$ 15,245	$ -	$ 7,408,632

The accompanying notes are an integral part of these financial statements

HEALTHWAYS, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

	HealthWays, Inc.	Greenbrier Manor, Inc.	Combining Entries	Combined 2010
Cash Flows from Operating and Non-Operating Revenue Activities:				
Increase (decrease) in net assets	$ 684,648	$ (8,386)	$ -	$ 676,262
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating and non-operating activities:				
Depreciation	216,732	11,954	-	228,686
Realized and unrealized (gain) loss on investments	(76,899)	-	-	(76,899)
Change in assets and liabilities:				
(Increase) decrease in receivables	(354,552)	-	-	(354,552)
(Increase) decrease in deposits and prepaid expenses	8,015	(77)	-	7,938
(Increase) decrease in other joint venture	(2,457)			
Increase (decrease) in accounts payable	(86,017)	(8,754)	-	(94,771)
Increase (decrease) in provider tax	(9,272)	-	-	(9,272)
Increase (decrease) in accrued wages and benefits	5,578	-	-	5,578
Increase (decrease) in tenant security deposits	-	(1)	-	(1)
Increase (decrease) in other liabilities	(32,726)	-	-	(32,726)
Increase (decrease) in deferred income	11,840	-	-	11,840
Net cash provided (used) by operating activities	364,890	(5,264)	-	362,083
Cash Flows from Investing Activities				
(Purchases) of property and equipment	(136,236)	-	-	(136,236)
(Purchases) of investments	(6,241)	-	-	(6,241)
Sale of investments	6,241	-	-	6,241
Net (deposits) withdrawls in reserves and residial receipts	-	2,315	-	2,315
Net cash provided (used) in investing activities	(136,236)	2,315	-	(133,921)
Net increase (decrease) in cash	228,654	(2,949)	-	225,705
Cash and cash equivalents at beginning of the year	4,198,863	7,045	-	4,205,908
Cash and cash equivalents at end of the year	$ 4,427,517	$ 4,096	$ -	$ 4,431,613
Supplemental disclosure for cash flow information:				
Cash paid during the period for:				
Interest expense	$ -	$ -	$ -	$ -
Income taxes	$ -	$ -	$ -	$ -

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

HEALTHWAYS, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1 – Description of Organization and Significant Accounting Policies:

HealthWays, Inc. was incorporated in West Virginia as a not-for-profit corporation on June 12, 1970 as Hancock-Brooke Mental Health Services, Inc. On July 26, 1996, the name was officially changed to HealthWays, Inc. (HealthWays). Its purpose is to establish, maintain, support and operate a comprehensive mental health center, primarily to serve the residents of Hancock and Brooke counties in West Virginia, but also to serve the residents of surrounding areas. During the year ended June 30, 2009 HealthWays, Inc. obtained a controlling interest in Greenbrier Manor, Inc.

Greenbrier Manor, Inc (Greenbrier Manor) is a not-for-profit corporation organized under the laws of the State of West Virginia, to acquire real property located in Weirton, WV and to construct and operate thereon an 8 unit apartment complex in accordance with Section 202 of the National Housing Act of 1959. Such projects are regulated by H.U.D. as to rent charges and operating methods. The project is also subject to Section 8 Housing Assistance Payment agreements with HUD, and a significant portion of the Project's revenue is received from HUD. In addition, the Corporation is operated exclusively for nonprofit purposes, and no part of the income or assets of the Corporation may be distributed to, or inure to the benefit of, any individual.

Basis of Financial Reporting - The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with guidelines established by the American Institute of Certified Public Accountants

Principles of Consolidation - The consolidated financial statements as of June 30, 2010 include the accounts of HealthWays, Inc. and its controlled affiliate Greenbrier Manor, Inc. All intercompany transactions have been eliminated from the consolidated financial statements.

Revenue Recognition – Healthways has agreements with third-party payers that provide for payments to the organization at amounts different from its established rates. Payment arrangements include prospectively determined rates per encounter, reimbursed costs, and discounted charges. Net client service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are recorded on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Revenues from services rendered to clients are recorded by HealthWays, Inc. at the full-established rates, with estimated amounts uncollectible by reason of charity allowances and contractual adjustments recorded as revenue deductions. Net amounts are reported on the statement of activities. For the year ended June 30, 2010, allowances and discounts totaled $2,270,553.

Revenues are based on medical services provided. 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. In the opinion of management, retroactive adjustments, if any, would not be material to the financial position or results of operations of Healthways.

HEALTHWAYS, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1 – Description of Organization and Significant Accounting Policies (continued):

Charity Care - Healthways provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates.

Contributions, Grants and Awards - All contributions, grants and awards are considered to be available for unrestricted use unless specifically restricted by the donor/grantor. Amounts received that are designated for future periods or restricted by the donor/grantor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same year in which the contribution, grant or award is received, Healthways reports the support as unrestricted.

Deductions from Revenue – Healthways' policy is to charge for services at standard billing rates and to record sliding fee adjustments and contractual allowances as a deduction from revenue. Accordingly, accounts receivable as of June 30, 2010 have been reduced by such allowances.

Current Vulnerability Due To Certain Circumstances – HealthWays', Inc. receives a substantial portion of its funding from the Medicaid program and the West Virginia Department of Health and Human Resources. It is therefore dependent on funding from these agencies for its continued existence.

Patient service revenue that Healthways' generates is primarily limited to services to residents in Hancock and Brooke counties in West Virginia, but also to serve the residents of surrounding areas. General economic conditions in the areas can, therefore, significantly influence Healthways' ability to collect fees for services rendered.

Greenbrier Manor, Inc.'s sole asset is an 8-unit apartment building. Greenbrier Manor, Inc.'s operations are concentrated in the multifamily real estate market. In addition, Greenbrier Manor, Inc. operates in a heavily regulated environment. The operations of Greenbrier Manor, Inc. are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little or inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

Note 1 – Description of Organization and Significant Accounting Policies (continued):

Client Receivables - Client receivables have been reported net of allowances for uncollectibles and contractual adjustments of $487,949 as of June 30, 2010 Past due accounts are written off in the period management deems them to be uncollectible.

Client receivables are reported at estimated net realizable amounts from patients and responsible third-party payers. Amounts owed to Healthways are reported net of allowances Allowances include estimates of contractual adjustments, charity care and bad debts. Specific patient balances are written off at the time they are determined to be uncollectible. The process for estimating the ultimate collection of receivables involves significant assumptions and judgments. In this regard, Healthways has implemented a standardized approach to estimate and review the collectability of its receivables based on accounts receivable aging trends. Historical collection and payer reimbursement experience are an integral part of the estimation process related to determining allowances for contractual allowances and doubtful accounts. In addition, Healthways assesses the current state of its billing functions in order to identify any known collection or reimbursement issues to determine the impact, if any, on its reserve estimates, which involve judgment. Revisions in reserve estimates are recorded as an adjustment to net client service revenue or the provision for doubtful accounts in the period of revision. Healthways believes that its collection and reserve processes, along with the monitoring of its billing processes, help to reduce the risk associated with material revisions to reserve estimates resulting from adverse changes in collection, reimbursement experience and billing functions

Property and Equipment - HealthWays, Inc. leases its facility located at 501 Colliers Way, Weirton from the West Virginia Department of Health under a 99-year lease for a total of one dollar. For accounting purposes, HealthWays, Inc. has recorded the associated value of the facility of $1,428,594 as a fixed asset and is providing for depreciation on a straight-line basis over a period of fifty years. Attached to these consolidated financial statements is a listing of other assets that have been purchased with state funds These assets are used by HealthWays, Inc. and depreciated by them but remain the property of the state of West Virginia.

Property and equipment with a cost exceeding $1,000 and an estimated useful life of greater than one year is recorded at historical cost. Depreciation is calculated using the straight-line method over the estimated useful life of the assets. Depreciation expense for HealthWays, Inc. for the year ended June 30, 2010 was $216,732. Depreciation for Greenbrier Manor, Inc. for the year ended June 30, 2010 was $11,954. Consolidated depreciation expense for the year ended June 30, 2010 was $228,686. Because HealthWays, Inc. leases from the state, the state is responsible for all major repairs and maintenance, therefore HealthWays, Inc. does not maintain a schedule for planned major repairs and maintenance.

Healthways, Inc reviews its investment in property for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the property to the future net undiscounted cash flow expected to be generated by the property including any estimated proceeds from the eventual disposition of the property. If the property is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the property exceeds the fair value of such property. There were no impairment losses recognized in 2010.

HEALTHWAYS, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1 – Description of Organization and Significant Accounting Policies (continued):

Net Asset Classification - Net assets of HealthWays, Inc and Affiliate and changes therein are classified and reported as follows:

Unrestricted net assets – net assets that are not subject to donor-imposed stipulations

Temporarily restricted net assets – net assets subject to donor-imposed stipulations that will be met either by actions of HealthWays, Inc. and Affiliate and/or the passage of time.

Permanently restricted net assets – net assets subject to donor-imposed stipulations that they be maintained permanently by HealthWays, Inc and Affiliate.

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

HealthWays, Inc and Affiliate had no permanently restricted net assets at June 30, 2010. HealthWays, Inc's temporarily restricted net assets at June 30, 2010 were $42,712. The composition of the temporarily restricted net assets for HealthWays, Inc. as of June 30, 2010 was $42,712 relegated for use in the "Miracles Happen" program. Greenbrier Manor, Inc. did not have any temporarily restricted net assets as of June 30, 2010.

Income Taxes - The Organizations are not-for-profit organizations that are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organizations qualify 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 509(a)(2)

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

Contributions - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Unconditional promises to give are recognized as revenues, or gains, in the period received and as assets, decrease of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Contribution and support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the same reporting period in which the contribution or support is received.

HEALTHWAYS, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1 – Description of Organization and Significant Accounting Policies (continued):

Functional Classification of Activities - Expenses are charged to program and support services based on the actual costs incurred. Management and general costs have been combined with program services when these amounts are not separable. Additionally, those expenses which are not directly identifiable with any other specific function but provide overall support and direction have been included as Management and General.

The classification of expenses by functional allocation is as follows:

HealthWays, Inc.

	2010
Program Services	$ 7,747,146
Management & General	1,378,306
	$ 9,125,452

Greenbrier Manor, Inc.

	2010
Program Services	$ 45.403
Management & General	2.965
	$ 48,368

Consolidated

	2010
Program Services	$ 7,792,549
Management & General	1,381,271
	$ 9,173,820

Cash and Cash Equivalents - For purposes of the consolidated statement of cash flows, HealthWays, Inc and Affiliate consider all investments with an original maturity date of three months or less to be cash equivalents. Cash equivalents are stated at cost, which approximates market.

Note 2 – Retirement Plan:

During the fiscal year ended June 30, 1981, HealthWays, Inc. adopted a Simplified Employee Pension contribution agreement covering all full-time employees, age 21 and over with 18 months of service. During the fiscal year ended June 30, 1996, HealthWays elected to include part-time employees. During the fiscal year ended June 30, 2006, HealthWays adopted a 401k plan covering all eligible employees, age 21 and over with no service requirements. The 401k plan has no company contributions. HealthWays accrues an equivalent of 7% of eligible employees gross wages on a monthly basis. For the fiscal year ended June 30, 2010, retirement plan expense related to the Simplified Employee Pension plan amounted to $168,003 of which $11,544 was unpaid and included in accrued wages and benefits on the balance sheet.

Note 3 – Investments:

Investments - Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the Statement of Activities and Changes in Net Assets.

At June 30, 2010 investments held were comprised of the following:

June 30, 2010:	Cost	Market
Cash and Cash Equivalents	$ 1,685	$ 1,685
Mutual Funds - Equity	724,538	593,386
Total	$ 726,223	$ 595,071

Unrealized investment gains (losses) for the years ending June 30, 2010 amounted to $67,959.

Investment in Joint Venture - During the year ended June 30, 1996, HealthWays, Inc. along with many other mental health centers, jointly created First Choice Health Systems, Inc., a for profit corporation to enable the centers to pool their influence to expand into statewide markets. The original investment was $50,000 with an estimated value of $86,172 as of June 30, 2010.

Note 4 - Line-of-Credit:

HealthWays, Inc has established a continuing line-of-credit with the Steel Workers Community Federal Credit Union in the amount of $200,000. There was no outstanding balance on this credit line as of June 30, 2010. The line has a variable interest rate and requires said interest to be paid monthly. Accounts receivable have been pledged as collateral.

Note 5 - Long-Term Debt

Greenbrier Manor, Inc. has a capital advance agreement with HUD in the amount of $378,400. This agreement is secured by a mortgage deed on the property located at 229 Greenbrier Road, Weirton, WV. As noted in the mortgage note dated July 30, 1998, the principal sum shall bear no interest nor shall repayment be required so long as the housing remains available to eligible, low-income persons with disabilities in accordance with Section 202 of the Housing Act of 1959, the Regulatory Agreements and Regulations. If default be made by the Owner, the entire principal sum shall at once become due and payable. Interest per annum at a rate equal to 6.75% shall be payable on demand with respect to the payment of principal upon default.

Note 6 - Housing Assistance Payment Contract

To subsidize a portion of the tenants' monthly rental costs of the projects, Greenbrier Manor, Inc. has entered into Housing Assistance Payment (HAP) contracts with HUD, which require certain restrictions on operating policies, rental charges, and operating expenditures. Under the terms of the contracts, a "contract rent" value is assigned to each unit based on results of a market comparability study of other rental units in the regional area. The tenants' monthly rental cost is equal to 30 percent of their adjusted monthly income. The balance of the contract rent is subsidized by HUD. Subsidized rental income was $9,550 for the year ended June 30, 2010.

Note 7 – Cash Balances in excess of FDIC and NCUA Insurance:

HealthWays, Inc. and Affiliate maintain accounts at local financial institutions. The Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Administration (NCUA) insures a maximum of $250,000 per depositor. Differences do exist between financial institution and book balances due to deposits-in-transit, outstanding checks and other reconciling items. The following uninsured excess exists at June 30, 2010.

	First Choice Credit Union	Wesbanco	Tin Mill Credit Union	Hancock Co. Savings Bank
Balance as of June 30, 2010	$ 3,099,922	$ 836,838	$ 249,014	$ 251,177
Less: FDIC & NCUA Coverage	(250,000)	(250,000)	(250,000)	(250,000)
Less: Additional Coverage	(6,833,000)	-	-	-
Amount (below) above coverage	($ 3,983,078)	$ 586,838	($ 986)	$ 1,177

Greenbrier Manor, Inc.

	United Bank	Hancock Co. Savings Bank
Balance as of June 30, 2010	$ 20,655	$ 15,175
Less: FDIC & NCUA Coverage	(250,000)	(250,000)
Less: Additional Coverage	-	-
Amount (below) above coverage	($ 229,345)	($ 234,825)

The total uninsured excess as of June 30, 2010 was $588,015; management believes the credit risk associated with these deposits is minimal.

Note 8 - Fair Value Measurements

The HealthWays, Inc.'s investments are reported at fair value in the accompanying statement of net assets available for benefits.

Fair Value Measurements Using:

June 30, 2010:	Fair Value	*Quoted Prices in Active Markets for Identical Assets* (Level 1)
Investment Accounts	$ 595,071	$ 595,071
Total	$ 595,071	$ 595,071

FASB ASC 820-10 (formerly Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standard No. 157, Fair Value Measurements), establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

Level 1 Fair Value Measurements
The fair value of the investment accounts are based on quoted net asset values of the shares and bonds held by the Organization at year-end.

Note 9 - HUD Restricted Deposits

Under the terms of the Regulatory and Loan Agreements, Greenbrier Manor, Inc. is required to maintain certain deposit accounts to be held for specified purposes. The Greenbrier Manor, Inc. is required to make monthly deposits to a replacement reserve account for the future repair and replacement of property and equipment. Additionally, any surplus cash existing at year-end is required to be deposited into a residual receipts account. Withdrawals from the replacement reserve and residual receipts accounts are subject to approval by HUD. Balances in restricted funds as of June 30, 2010 were as follows:

Note 9 - HUD Restricted Deposits (continued)

	Balance
Replacement Reserve	$ 17,528
Residual Receipts	11,672
Tenant Security Deposits	2,065

Note 10 - Rent Increases

Under the regulatory agreement, Greenbrier Manor, Inc. may not increase rents charged to tenants without HUD approval.

Note 11 - Long-Term Debt

The Corporation is funded by a Section 811 Capital Advance from HUD in the amount of $378,400 The Capital Advance is secured by a mortgage deed on the property located at 229 Greenbrier Road, Weirton, WV As noted in the mortgage note dated July 30, 1998, the principal sum shall bear no interest nor shall repayment be required so long as the housing remains available to eligible, low-income persons with disabilities in accordance with Section 202 of the Housing Act of 1959, the Regulatory Agreements and Regulations If default is made by the Owner, the entire principal sum shall at once become due and payable Interest per annum at a rate equal to 6.75% shall be payable on demand with respect to the payment of principal upon default

Note 12 - Related Party Transactions

Healthways, Inc., which has majority control of the board of directors of Greenbrier Manor, Inc, is the Project's management agent During the year ended June 30, 2010, Greenbrier Manor, Inc. paid $3,936 in management fees and $627 in other reimbursements to Healthways, Inc. There were no receivables from or amounts payable to related parties as of June 30, 2010.

Note 13 - Subsequent Events

Management has evaluated subsequent events through February 22, 2011, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

SEACHRIST, KENNON & MARLING, A.C.

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INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

To the Board of Directors of
HealthWays, Inc & Affiliate

Our report on our audit of the consolidated financial statements of HealthWays, Inc and Affiliate for the year ended June 30, 2010 appears on page 1. The audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The statements of financial position, statements of activities and changes in net assets, and statements of cash flows for HealthWays, Inc for the years ended June 30, 2010 and 2009 (shown on pages 16-18) the schedule of property and equipment purchases with BHHF administered funding (shown on pages 19 - 20) and the schedule of expenditures of federal awards and state awards (shown on pages 21-22) are presented for the purpose of additional analysis and is not a required part of the basic consolidated financial statements.

The statement of financial position, statement of activities and changes in net assets, statement of cash flows for Greenbrier Manor, Inc for the year ended June 30, 2010, and supplemental data required by HUD (shown on pages 26 - 28), are also presented for purposes of additional analysis and is not a required part of the consolidated financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Seachrist, Kennon & Marling, AC

Wheeling, West Virginia
February 22, 2011

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HEALTHWAYS, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2010 AND 2009

	2010	2009
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 4,427,517	$ 4,198,863
Client receivables, net	765,253	694,069
Contract receivables	595,075	309,779
Deposits and prepaid assets	80,352	88,367
Management fees receivable	-	1,927
Total current assets	5,868,197	5,293,005
Plant, property and equipment:		
Land	49,184	49,184
Buildings	3,128,451	3,124,651
Equipment	831,401	830,433
Furniture and fixtures	74,359	67,267
Vehicles	871,972	752,592
	4,955,367	4,824,127
Less accumulated depreciation	(3,082,506)	(2,870,769)
Property and equipment, net	1,872,861	1,953,358
Other assets, at cost:		
Investments	595,071	518,172
Investment in joint venture	86,172	83,715
Total other assets	681,243	601,887
Total assets	$ 8,422,301	$ 7,848,250
LIABILITIES & NET ASSETS:		
Current liabilities:		
Accounts payable	$ 530,777	$ 616,793
Provider tax payable	20,090	29,363
Accrued wages and benefits	352,094	346,516
Reserve for third party settlements	(1,500)	31,226
Deferred income	127,453	115,613
Total current liabilities	1,028,914	1,139,511
Total liabilities	1,028,914	1,139,511
Net assets:		
Unrestricted net assets	7,350,675	6,666,027
Temporarily restricted net assets	42,712	42,712
Total net assets	7,393,387	6,708,739
Total liabilities and net assets	$ 8,422,301	$ 7,848,250

HEALTHWAYS, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
UNRESTRICTED NET ASSETS:		
Support and Revenues		
Net client service revenue	$ 7,264,807	$ 7,444,902
West Virginia Department of Health and Human Resources funding	2,107,371	1,972,300
Other support	247,730	205,671
Workshops and rentals	22,560	25,529
Investment income (loss)	150,604	(16,591)
Management fee revenue	9,612	9,530
Other revenue	7,416	13,921
Total support and revenues	9,810,100	9,655,262
Net assets released from restrictions	-	5,175
Total support, revenues and reclassifications	9,810,100	9,660,437
Operating Expenses		
Salaries and wages	3,311,547	3,302,303
Employee benefits	1,072,606	1,070,476
Contracted services	3,235,954	3,395,360
Supplies	193,277	228,975
Transportation	243,562	148,491
Utilities and telephone	131,576	138,401
Building and equipment maintenance	149,911	155,909
Depreciation	216,732	252,871
Bad debt	55,470	79,195
Insurance	106,062	109,085
Provider tax	310,466	348,562
Investment fees	5,984	5,134
Other	92,305	88,621
Total expenses	9,125,452	9,323,383
Increase (decrease) in unrestricted net assets	684,648	337,054
TEMPORARILY RESTRICTED NET ASSETS:		
Support and Revenues		
Donations	-	-
Net assets released from restrictions	-	(5,175)
Increase (decrease) in temporarily restricted net assets	-	(5,175)
Increase (decrease) in net assets	684,648	331,879
Net assets, beginning of year	6,708,739	6,376,860
Net assets, end of year	$ 7,393,387	$ 6,708,739

HEALTHWAYS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

	2010	2009
Cash Flows from Operating and Non-Operating Revenue Activities:		
Increase (decrease) in net assets	$ 684,648	$ 331,879
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating and non-operating activities:		
Depreciation	216,732	252,871
Realized and unrealized (gain) loss on investments	(76,899)	168,873
Change in assets and liabilities:		
(Increase) decrease in receivables	(354,552)	46,275
(Increase) decrease in deposits and prepaid expenses	8,015	(62,282)
(Increase) decrease in other assets	-	(46,122)
(Increase) decrease in joint venture	(2,457)	-
Increase (decrease) in accounts payable	(86,017)	10,852
Increase (decrease) in provider tax	(9,272)	2,534
Increase (decrease) in accrued wages and benefits	5,578	(49,050)
Increase (decrease) in other liabilities	(32,726)	-
Increase (decrease) in deferred income	11,840	28,486
Net cash provided (used) by operating activities	364,890	684,316
Cash Flows from Investing Activities		
(Purchases) of property and equipment	(136,236)	(148,975)
(Purchases) of investments	(6,241)	(42,522)
Sale of investments	6,241	6,646
Net cash provided (used) in investing activities	(136,236)	(184,851)
Net increase (decrease) in cash	228,654	499,465
Cash at beginning of the year	4,198,863	3,699,398
Cash at end of the year	$ 4,427,517	$ 4,198,863
Supplemental disclosure for cash flow information:		
Cash paid during the period for:		
Interest expense	$ -	$ -
Income taxes	$ -	$ -

HEALTHWAYS, INC.
SCHEDULE OF PROPERTY AND EQUIPMENT
PURCHASES WITH BHHF - ADMINISTERED FUNDING
FOR THE YEAR ENDED JUNE 30, 2010

Description of Capital Expenditure	Vendor Name	Date of Acquisition	Cost	State Account Number	ID Number
1 Autogenic Feedback Myograph	N/A	4/1/1982	$ 1,316.54	N/A	N/A
Biofeedback equipment	N/A	7/1/1984	4,266.50	N/A	N/A
Riding mower and attachments	N/A	7/1/1984	4,510.00	N/A	N/A
Refrigerator/ice maker	N/A	7/1/1984	1,195.88	N/A	N/A
Vesta conference table	N/A	7/1/1984	2,911.45	N/A	N/A
1 1992 Ford Club Wagon	N/A	7/12/1993	17,295.00	N/A	N/A
1 1995 Dodge Caravan	N/A	4/15/1996	15,700.00	N/A	N/A
Intel computer	N/A	11/1/1996	2,750.42	N/A	N/A
Computer	N/A	11/1/1996	1,712.20	N/A	N/A
Computer	N/A	4/1/1997	1,349.42	N/A	N/A
Computer and peripherals	Infotel Distributing	8/5/1998	4,929.30	8793-1999-2885-096-252	6314877
Computers and peripherals (2)	Infotel Distributing	3/3/1999	3,035.00	8793-1999-2886-096-252	6930200
Computer and peripherals	Infotel Distributing	9/15/1998	2,713.79	8793-1999-2890-096-252	6313810
Computer and peripherals	Infotel Distributing	3/3/1999	3,024.00	8793-1999-2890-096-252	6908521
Computer and peripherals	Infotel Distributing	8/5/1998	2,736.40	8793-1999-2892-096-252	6314930
Computer	Infotel Distributing, Inc.	3/8/2000	2,493.75	8793-2000-2886-096-128	N/A
Copier	Comdoc	5/24/1999	8,542.00	8793-2000-2885-096-128	N/A
Projector	Infotel Distributing, Inc.	6/20/2000	3,191.60	8793-2000-2890-096-128	N/A
Computers (4)	Dell	7/1/2004	4,201.84	8793-2005-2885-096-128-10596	78185618
Computers (2)	Dell	7/1/2004	2,100.90	0525-2005-3426-219-252/258	78185528
Computer	Dell	7/1/2004	1,050.46	8793-2005-2892-096-128-10596	78185399
Furniture	Office Furniture Warehouse	8/16/2004	6,479.05	8793-2005-2885-096-128-10596	H08114
Furniture	Carolina Office Furniture	8/19/2004	11,292.92	Various	10863
Projector	Dell	8/30/2004	1,292.14	8793-2005-2885-096-128-10596	86776104
Projector	Dell	8/31/2004	1,292.14	8793-2005-2892-096-128-10596	86776104
Projector	Dell	8/31/2004	1,292.14	8794-2004-2915-096-128-09184	86776104
Computers (3)	Dell	8/31/2004	3,151.37	8793-2005-2885-096-128-10596	86776261
Laptop computer	Dell	8/31/2004	1,259.28	8794-2004-2915-096-128-09184	17150793
Laptop computer	Dell	8/31/2004	1,259.28	8793-2005-2892-096-128-10596	86776164
Laptop computer	Dell	8/31/2004	1,259.28	8794-2005-2852-096-128-10555	86776164
Furniture	Office Furniture Warehouse	8/31/2004	6,197.86	0525-2005-3426-219-252/258	N/A
2005 Dodge Carivan	New City Auto Sales	8/31/2004	21,061.87	8794-2005-2852-096-128-10555	N/A
2005 Chevy Express Van	Bob Robinson Chevrolet	8/31/2004	28,500.00	Various	N/A
Building	Various	10/11/2004	264,734.17	Various	Various
Phone system	Advanced Communications	10/12/2004	1,574.10	Various	111004
Phone system	Advanced Communications	11/19/2004	1,616.50	0525-2005-3426-219-252/258	21333
Building additions	Various	1/28/2005	189,549.00	Various	Various
Appliances	Lowes	2/28/2005	4,676.86	Various	N/A
Cleaning equipment	Ohio Valley Chemical	3/31/2005	1,661.49	Various	58104
Furniture	Carolina Office Furniture	3/31/2005	4,123.43	Various	N/A
Building improvements	Colaianni Construction	3/31/2005	49,616.00	Various	N/A
Copier	Office Systems of Wheeling	4/15/2005	5,194.00	Various	138
Copier	AMCOM	6/30/2005	1,671.62	0525-2005-3426-219-252/258	08208A
Building improvements	Steele Construction	6/30/2005	7,602.00	Various	N/A

HEALTHWAYS, INC.
SCHEDULE OF PROPERTY AND EQUIPMENT
PURCHASES WITH BHHF - ADMINISTERED FUNDING
FOR THE YEAR ENDED JUNE 30, 2010

Description of Capital Expenditure	Vendor Name	Date of Acquisition	Cost	State Account Number	ID Number
Fixtures	Triveri Aluminum	6/30/2005	4,550.00	Various	6115105
Vehicle	Jim Robinson	8/1/2005	10,000.00	Various	N/A
Vehicle	Jim Robinson	8/9/2005	3,115.98	Various	N/A
Computer	Dell	1/29/2006	1,499.21	Various	N/A
Computer	Dell	2/2/2006	1,281.54	Various	N/A
Vehicle	N/A	2/23/2006	9,239.20	Various	N/A
Computer server	Tiger Direct	7/16/2006	2,024.00	Various	EQOB0049
Laptop computer	Dell	9/20/2006	1,169.81	Various	EQOB0051
Fax machine	Office Systems of Wheeling	2/23/2007	1,313.34	Various	EQOB0053
Computers (2)	Dell	3/12/2007	2,159.67	Various	EQOB0054
Building	Weaver Barns	5/31/2007	4,876.00	Various	BGOB0004
Flooring	Bennett's Flooring	5/31/2007	1,605.38	Various	IMOB0003
Flooring	Bennett's Flooring	5/31/2007	4,809.17	Various	IMOB0004
Scanner/fax machine	Office Systems of Wheeling	6/7/2007	2,046.86	Various	EQOB0055
Computers (8)	N/A	10/26/2007	6,631.28	Various	EQOB0056 - 63
Laptop computers (2)	N/A	10/26/2007	1,823.21	Various	EQOB0064 & 65
Lot Sealing	N/A	5/29/2008	1,700.00	Various	IMOB0009
Vehicle (3 door)	N/A	6/4/2008	1,639.70	Various	VEOB0009
Furniture	N/A	6/27/2008	3,678.24	Various	Various
Television	N/A	6/27/2008	1,860.63	Various	FFOB0008
Stove	N/A	6/27/2008	1,986.41	Various	FFOB0007
Furniture	N/A	6/30/2008	3,551.37	Various	FFOB009
Computers (2)	N/A	6/30/2008	2,240.84	Various	EQOB0066 & 67
Vehicles	N/A	6/30/2008	23,098.90	Various	VEOB0010-11
Paint Offices	N/A	5/14/2010	3,800.00	Various	N/A
Generator	N/A	2/9/2010	1,175.00	Various	N/A
Desk	N/A	6/25/2010	1,661.00	Various	N/A
AC Repair	N/A	5/27/2010	1,222.05	Various	N/A
Laptop computer	Dell	8/25/2008	1,223.22	8723-2009-2849-096-128-14014	EQOB0068
Rooftop furnace	Johnson Boilerworks	11/14/2008	5,625.00	Various	FFOB0010
Laptop computer	Dell	6/12/2009	1,181.64	8723-2009-2849-096-128-14014	EQOB0069
Server/Hardware	Dell	6/29/2009	12,505.79	8723-2009-2849-096-128-14014	EQHW0206
			$ 833,677.39		

HEALTHWAYS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor/ Program Title	Account Number	Federal CFDA #	Award Amount	Accounts Receivable 06/30/09	Deferred Revenue 06/30/09	Current Revenue Earned	Expenditures	Deferred Revenue 06/30/10	Accounts Receivable 06/30/10
Electronic Medical Records	8723-2010-2849-096-128	93.243	$ 25,500	$ -	$	$ 7,500	$ 7,500	$	$ 7,500
Electronic Medical Records	8723-2009-2849-096-128	93.243	$ 25,500		12,520			-	-
SA Services	8793-2010-2885-096-128	93.959	$ 255,268	-		250,268	250,268		60,122
SA Services	8792-2009-2885-096-128	93.959	$ 255,268	43,452		-			
SA Adolescent Services	8793-2010-2892-096-128	93.959	$ 44,172			44,172	44,172		16,778
SA Adolescent Services	8793-2009-2892-096-128	93.959	$ 44,172	19,312					-
SA Prevention	8793-2010-2891-096-128	93.959	$ 84,474	6,757		84,474	84,474	-	2,387
				$ 69,521	$ 12,520	$ 386,414	$ 386,414	$	$ 86,787

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Healthways Inc. under programs of the federal government for the year ended June 30, 2010. Because the schedule presents only a selected portion of the operations of Healthways Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Healthways Inc.

Expenditures reported on the Schedule are reported on the accrual basis of accounting

HEALTHWAYS, INC.
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor/ Program Title	Account Numbers	Federal CFDA #	Award Amount	Accounts Receivable 06/30/09	Deferred Revenue 06/30/09	Current Revenue Earned	Expenditures	Deferred Revenue 06/30/10	Accounts Receivable 6/30/10
Uncompensated Care	0525-2010-3065-219-252	N/A	$ 256,986.00	$ -	$	$ 128,088	$ 128,088	$	$ -
Uncompensated Care	0525-2007-3065-219-253	N/A	$ 256,986.00	-		208,324	208,324	-	104,162
Support Services	0525-2009-3041-219-252	N/A	$ 142,204.00			142,204	142,204		41,245
Client Core Services	0525-2010-2851-219-252	N/A	$ 103,403.00			103,403	103,403		27,919
Crisis Improvement	0525-2010-2851-219-252	N/A	$ 83,561.00	-		83,561	83,561		20,890
Case Management	0525-2010-2851-219-252	N/A	$ 116,700.00			116,700	116,700		35,773
Case Management	0525-2009-2851-219-253	N/A	$ 116,700.00	15,741	-				
DD Client	0525-2010-2867-219-252/258	N/A	$ 68,769.00			68,769	68,769	13,876	17,192
Family Support Services	0525-2010-2870-221-252	N/A	$ 68,285.00			68,285	68,285	-	30,457
Family Support Services	0525-2009-2870-221-252	N/A	$ 68,912.00	10,704				-	
Community Support Improvement	0525-2010-3702-219-252	N/A	$ 133,814.00			133,814	133,814	-	35,817
Community Support Improvement	0525-2009-3702-219-252	N/A	$ 138,814.00	28,044	-			-	
Electronic Medical Records	0525-2009-2849-219-252	N/A	$ 8,000.00	667	8,000	-			
SA Core Discretionary	0525-2010-2885-219-252	N/A	$ 56,526.00			61,526	61,526		43,426
SA Core Discretionary	0525-2009-2885-219-252	N/A	$ 56,526.00	33,241	-			-	
SA Adult Residential Treatment	0525-2010-2891-219-252	N/A	$ 520,000.00			520,000	520,000		108,158
SA Adult Residential Treatment	0525-2009-2891-219-252	N/A	$ 520,000.00	130,991	-			-	-
SA Adolescent Outpatient	0525-2010-2892-219-252	N/A	$ 141,000.00			141,000	141,000		43,151
SA Adolescent Outpatient	0525-2009-2892-219-252	N/A	$ 118,661.00	20,870	-				-
				$ 240,258	$ 8,000	$ 1,775,674	$ 1,775,674	$ 13,876	$ 508,190

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Healthways Inc under programs of the federal government for the year ended June 30, 2010.
Because the schedule presents only a selected portion of the operations of Healthways Inc., it is not ntended to and does not present the financial position, changes in net assets or cash flows of Healthways Inc.

Expenditures reported on the Schedule are reported on the accrual basis of accounting

GREENBRIER MANOR, INC.
HUD PROJECT NO. 045-HD015-CA
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2010

		2010
ASSETS:		
Current Assets:		
Cash	$	4,096
Prepaid insurance		1,098
Total current assets		5,194
Deposits Held in Trust - Funded:		
Tenant security deposits		2,065
Restricted Deposits and Funded Reserves:		
Reserve for replacements		17,528
Residual reserve		11,672
Total restricted deposits		29,200
Property and Equipment:		
Land		30,000
Building and improvements		461,735
Furniture and fixtures		20,409
Total property and equipment		512,144
Less - accumulated depreciation		(145,292)
Net property and equipment		366,852
Total assets	$	403,311
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	$	1,953
Miscellaneous current liabilities		6,000
Total current liabilities		7,953
Deposit and Prepayment Liabilities:		
Tenant security deposits		1,713
Long-Term Liabilities:		
Mortgage payable		378,400
Total liabilities		388,066
Net Assets:		
Unrestricted net assets (deficit)		15,245
Total liabilities and net assets (deficit)	$	403,311

GREENBRIER MANOR, INC.
HUD PROJECT NO. 045-HD015-CA
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
JUNE 30, 2010

		2010
REVENUES:		
Rental income	$	31,112
Tenant assistance payments		9,550
Investment income - residual receipts		64
Investment income - replacement reserve		157
Laundry and vending revenue		1,745
Tenant charges		1,290
Total revenues		43,918
EXPENSES:		
Office expense		2,872
Management fee		3,936
Auditing expense		2,888
Miscellaneous administrative expenses		1,750
Total administrative expenses		11,446
Electric		3,408
Water		2,752
Gas		3,504
Total utilities		9,664
Supplies		9,133
Contracts		3,884
Garbage and Trash Removal		606
Snow Removal		1,452
Total operating & maintenance expenses		15,075
Property Insurance		4,088
Dishonesty bond insurance		77
Total taxes & insurance		4,165
Total expenses before depreciation		40,350
Increase (decrease) in net assets before depreciation		3,568
Depreciation		11,954
Increase (decrease) in net assets		(8,386)
Previous year total net assets		23,631
Total net assets	$	15,245

GREENBRIER MANOR, INC.
HUD PROJECT NO. 045-HD015-CA
STATEMENT OF CASH FLOWS
JUNE 30, 2010

	2010
Cash Flows from Operating Activities	
Rental receipts	$ 40,662
Interest receipts	221
Other operating receipts	3,035
Total recipts	43,918
Administrative	(13,889)
Management fee	(3,936)
Utilities	(9,664)
Operating and maintenance	(17,527)
Property insurance	(4,165)
Tenant security deposits	(1)
Total Disbursements	(49,182)
Net cash provided (used) by operating activities	(5,264)
Cash Flows from Investing Activities	
Net (deposits to) withdrawls from reserve for replacement account	2,379
Net (deposits to) withdrawls from other reserves	(64)
Net cash provided (used) by investing activities	2,315
Net increase (decrease) in cash	(2,949)
Cash at beginning of the year	7,045
Cash at end of the year	$ 4,096
Cash Flows from Operating Activities	
Increase (decrease) in net assets	$ (8,386)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:	
Depreciation expense	11,954
(Increase) decrease in prepaid expenses	(77)
(Increase) decrease in tenant security deposit account	(1)
Increase (decrease) in accounts payable	(8,754)
Net cash provided (used) by operating activities	$ (5,264)

GREENBRIER MANOR, INC.
HUD PROJECT NO. 045-HD015-CA
SUPPLEMENTARY DATA REQUIRED BY HUD
FOR THE YEAR ENDED JUNE 30, 2010

ACCOUNTS AND NOTES RECEIVABLE (OTHER THAN FROM TENANTS):
There are no accounts or notes receivable as of June 30, 2010.

DELINQUENT TENANT ACCOUNTS RECEIVABLE:
There are no significant deliquent tenant accounts receivable as of June 30, 2010.

TENANT SECURITY DEPOSITS:
Tenant security deposits are held in a separate bank account in the name of the project. The security account balance as of June 30, 2010 is $2,065. Interest from funds held in the security deposit account is allocated to tenant security deposits. There is no unfunded liability as of June 30, 2010

SCHEDULE OF RESERVE FOR REPLACEMENTS:

Beginning balance - July 1, 2009	$	19,907
Monthly deposits		1,714
Interest earned		157
Authorized withdrawals		(4,250)
Ending balance, June 30, 2010	$	17,528

SCHEDULE OF RESIDUAL RECEIPTS:

Beginning balance - July 1, 2009	$	11,608
Interest income		64
Authorized withdrawals		-
Ending balance, June 30, 2010	$	11,672

ACCOUNTS PAYABLE (OTHER THAN TRADE CREDITORS):
There are no accounts payable for amounts other than creditors as of June 30, 2010

ACCRUED TAXES:
There are no accrued taxes payable as of June 30, 2010

COMPENSATION OF OWNERS:
There was no compensation paid to the owners during the period ended June 30, 2010.

SCHEDULE OF UNAUTHORIZED DISTRIBUTIONS OF PROJECT INCOME:
There was no unauthorized distribution of project income during the period ended June 30, 2010.

SCHEDULE OF NOTES PAYABLE (OTHER THAN MORTGAGES):
There were no notes payable other than mortgages as of June 30, 2010

CHANGES IN OWNERSHIP:
There were no changes in ownership during the period ended June 30, 2010.

GREENBRIER MANOR, INC.
HUD PROJECT NO. 045-HD015-CA
SUPPLEMENTARY DATA REQUIRED BY HUD
FOR THE YEAR ENDED JUNE 30, 2010

SCHEDULE OF FUNDS IN FINANCIAL INSTITUTIONS:

Funds in financial institutions as of June 30, 2010 consist of the following:

Funds held by United National Bank - regular operating account	$	4,565
Funds held by United National Bank - tenant security deposits		2,065
Funds held by United National Bank - reserve fund for replacements		6,689
Funds held by United National Bank - residual receipts		7,336
Funds held by Hancock County Savings Bank - residual receipts		4,336
Funds held by Hancock County Savings Bank - reserve fund for replacements		10,839
Total funds in financial institutions	$	35,830

COMPUTATION OF SURPLUS CASH, DISTRIBUTIONS, AND RESIDUAL RECEIPTS

Cash:		
Cash on hand and in banks	$	6,161
Total cash		6,161
Current Obligations:		
Accounts payable - 30 days		1,953
Accrued expenses payable		6,000
Tenant security deposit liability		1,713
Total current obligations		9,666
Surplus cash (deficiency) at June 30, 2010	$	(3,505)
Deposit due residual receipts	$	-

GREENBRIER MANOR, INC.
HUD PROJECT NO. 045-HD015-CA
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FOR THE YEAR ENDED JUNE 30, 2010

CHANGES IN FIXED ASSET ACCOUNTS:

	Assets			
	Balance 06/30/09	Additions	Disposals	Balance 06/30/10
Land	$ 30,000	$ -	$ -	$ 30,000
Building and improvements	461,735	-	-	461,735
Furniture and fixtures	20,409	-	-	20,409
Total	$ 512,144	$ -	$ -	$ 512,144
Accumulated Depreciation	133,338	11,954	$ -	145,292
Book Value	$ 378,806	$ (11,954)	$ -	$ 366,852

SEACHRIST, KENNON & MARLING, A.C.
Certified Public Accountants & Business Consultants

Craig K. Seachrist, CPA, CVA
Diana L. Kennon, CPA, CVA
Ronnie L. Marling, CPA, CFE
Julie A. Kems, CPA
Chantelle S. Horvath, CPA
James M. Riley, CPA

Members of:
American Institute of Certified Public Accountants
Governmental Audit Quality Center
Employee Benefit Plan Audit Quality Center

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

Board of Directors
HealthWays, Inc. & Affiliate
Weirton, West Virginia

We have audited the financial statements of Healthways, Inc. and affiliate (nonprofit organizations) as of and for the year ended June 30, 2010, and have issued our report thereon dated February 22, 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 Healthways Inc. and Affiliate'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 Healthways Inc.and Affiliate'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 responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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

Board of Directors
HealthWays, Inc. & Affiliate
Weirton, West Virginia

We have audited the financial statements of Healthways, Inc. and affiliate (nonprofit organizations) as of and for the year ended June 30, 2010, and have issued our report thereon dated February 22, 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 Healthways Inc. and Affiliate'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 Healthways Inc and Affiliate'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 responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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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. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. See Finding 10-1

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. We consider the deficiencies described in the accompany schedule of findings and responses to be significant deficiencies. See Findings 10-2 and 10-3

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Healthways Inc. and Affiliate's Consolidated 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*.

Healthways inc. and Affiliate's response to the findings identified in our audit is described in the accompanying schedule of findings and rsponses. We did not audit Healthways Inc. and Affiliate'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, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Seachrist, Kennon & Marling, A.C.
Wheeling, West Virginia
February 22, 2011

HEALTHWAYS, INC. AND AFFILIATE
SCHEDULE OF FINDINGS AND RESPONSES – HEALTHWAYS, INC.
FOR THE YEAR ENDED JUNE 30, 2010

Finding 10-1: Financial Statement Preparation - Significant Deficiency / Material Weakness

Condition: The Organization currently requires assistance from the auditors to prepare its consolidated financial statements and related footnotes.

Criteria: Effective internal control over financial reporting requires that the Organization prepare its own consolidated financial statements and related footnotes or designate an employee with the knowledge to oversee the preparation of, and identify material misstatements in, the consolidated financial statements prepared by the auditor.

Effect: A likelihood exists that the Organization may issue consolidated financial statements and related footnotes that contain a misstatement that will not be prevented or detected by the organization's internal control.

Recommendation: We recommend that the Organization designate an employee with the knowledge to oversee the preparation of, and review for material misstatements, the consolidated financial statements and related footnotes as prepared by the auditor.

Response: Management acknowledges that a remote likelihood exists that the Organization may produce internal consolidated financial statements with a material misstatement that would not be detected by the Organizations internal controls. The Controller will review the financial statements for material misstatements.

HEALTHWAYS, INC. AND AFFILIATE
SCHEDULE OF FINDINGS AND RESPONSES – GREENBRIER MANOR, INC.
FOR THE YEAR ENDED JUNE 30, 2010

Finding 10-2: Cash Account Reconciliations

Condition: The restricted deposit cash accounts, including certificates of deposit, were not reconciled to the general ledger during the year.

Criteria: Effective internal controls over the recording of activity and reconciliation of all cash accounts is a necessary step to ensure the Organization's financial statements are fairly stated.

Effect: The lack of controls over the reconciliation of all cash accounts to the general ledger may result in misstatements of the Organization's trial balance and financial statements.

Recommendation: We recommend that the Organization implement procedures to accurately record the activity in all cash accounts, including certificates of deposit, and that a reconciliation of all such accounts be performed on a monthly basis.

Response: Management acknowledges the need to reconcile all cash accounts to the general ledger. Management will reconcile cash accounts to the general ledger monthly.