

E. A. HAWSE HEALTH CENTER, INC.

FINANCIAL REPORT AND
SINGLE AUDIT REPORTS

MAY 31, 2011

DHHR - Finance

MAR 26 2012

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
E. A. Hawse Health Center, Inc.
Baker, West Virginia

We have audited the accompanying statements of financial position of E. A. Hawse Health Center, Inc., a non-profit organization, as of May 31, 2011 and 2010, and the related statements of activities, changes in net assets, 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 audit.

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 E. A. Hawse Health Center, Inc. as of May 31, 2011 and 2010, 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 February 24, 2012, on our consideration of E. A. Hawse Health 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 audits.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of E. A. Hawse Health Center, Inc. taken as a whole. The accompanying schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State of West Virginia, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole

Toothman Rice, PLLC

Bridgeport, West Virginia
February 24, 2012

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**E. A. HAWSE HEALTH CENTER, INC.
STATEMENTS OF FINANCIAL POSITION**

May 31, 2011 and 2010

	2011	2010
ASSETS		
Cash and cash equivalents	\$ 593,855	\$ 311,857
Patient service and third-party receivables, net	800,218	594,021
Federal and state grants receivable	28,817	112,401
Medicare and Medicaid cost report receivables	30,400	49,000
Inventories	313,819	281,648
Investment in marketable equity trading security	5,103	9,600
Prepaid expenses and deposits	<u>2,371</u>	<u>8,174</u>
Total current assets	<u>1,774,583</u>	<u>1,366,701</u>
PROPERTY AND EQUIPMENT, at cost		
Land	38,920	38,920
Buildings and improvements	2,339,751	2,258,344
Furniture and equipment	<u>1,736,441</u>	<u>1,424,847</u>
	4,115,112	3,722,111
Less accumulated depreciation	<u>1,794,867</u>	<u>1,616,766</u>
	<u>2,320,245</u>	<u>2,105,345</u>
Total assets	<u>\$ 4,094,828</u>	<u>\$ 3,472,046</u>
LIABILITIES AND NET ASSETS		
Notes payable, current portion	\$ 58,840	\$ 54,118
Bank line of credit borrowings	77,639	70,604
Capital lease obligation, current portion	2,939	2,678
Trade accounts payable	456,605	186,268
Accrued expenses	<u>498,895</u>	<u>184,370</u>
Total current liabilities	1,094,918	498,038
Notes payable, long-term portion	1,072,846	1,132,037
Deferred revenue	28,000	28,818
Capital lease obligation, long-term portion	<u>650</u>	<u>3,589</u>
Total liabilities	<u>2,196,414</u>	<u>1,662,482</u>
NET ASSETS		
Unrestricted	1,826,939	1,687,421
Temporarily restricted	<u>71,475</u>	<u>122,143</u>
Total net assets	<u>1,898,414</u>	<u>1,809,564</u>
Total liabilities and net assets	<u>\$ 4,094,828</u>	<u>\$ 3,472,046</u>

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

E. A. HAWSE HEALTH CENTER, INC.
STATEMENTS OF ACTIVITIES

Years Ended May 31, 2011 and 2010

	2011	2010
Revenues and support		
Net patient service revenues	\$ 7,636,048	\$ 4,990,773
Donated pharmaceuticals	1,273,238	1,040,098
Federal grants	1,091,633	976,618
State and other grants	304,725	395,272
Net assets released from restrictions	116,734	37,630
Interest income	437	611
Other	<u>5,936</u>	<u>12,983</u>
Total revenues and support	<u>10,428,751</u>	<u>7,453,985</u>
Expenses		
Salaries and wages	3,928,825	3,140,701
Donated drugs and supplies	1,273,238	1,040,098
Medical and other supplies	2,484,855	985,139
Payroll taxes and employee benefits	890,538	627,791
Bad debts	54,789	371,972
Contracted services	646,200	385,342
Professional services	58,641	14,675
Repairs and maintenance	239,402	139,967
Rent	158,970	53,163
Depreciation	178,101	153,555
Insurance	13,621	13,293
Utilities and telephone	97,325	77,965
Travel and education	32,661	36,549
Interest	68,871	74,926
Federal grant for health care and other facilities	52,892	134,950
Other	<u>110,304</u>	<u>51,926</u>
Total expenses	<u>10,289,233</u>	<u>7,302,012</u>
Change in unrestricted net assets	<u>139,518</u>	<u>151,973</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS		
Public health grant	66,066	116,734
Net assets released from restrictions	<u>(116,734)</u>	<u>(37,630)</u>
Change in temporarily restricted net assets	<u>(50,668)</u>	<u>79,104</u>
CHANGE IN NET ASSETS	<u>\$ 88,850</u>	<u>\$ 231,077</u>

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

E. A. HAWSE HEALTH CENTER, INC.
STATEMENTS OF CHANGES IN NET ASSETS

Years Ended May 31, 2011 and 2010

	2011	2010
UNRESTRICTED		
Balance, beginning	\$ 1,687,421	\$ 1,535,448
Change in net assets	<u>139,518</u>	<u>151,973</u>
Balance, ending	<u>\$ 1,826,939</u>	<u>\$ 1,687,421</u>
TEMPORARILY RESTRICTED		
Balance, beginning	\$ 122,143	\$ 43,039
Public health grant	66,066	116,734
Net assets released from restrictions	<u>(116,734)</u>	<u>(37,630)</u>
Balance, ending	<u>\$ 71,475</u>	<u>\$ 122,143</u>

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

E. A. HAWSE HEALTH CENTER, INC.
STATEMENTS OF CASH FLOWS

Years Ended May 31, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 88,850	\$ 231,077
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	178,101	153,555
Loss on investments	4,498	-
(Increase) decrease in:		
Patient and third-party receivables	(206,197)	(238,823)
Federal and state grants receivable	83,584	(96,564)
Medicare and Medicaid cost report receivables	18,600	(49,000)
Other receivables	-	12,966
Inventories	(32,171)	(199,262)
Prepaid expenses and deposits	5,803	4,466
Increase (decrease) in:		
Trade accounts payable	270,337	153,133
Accrued expenses	314,525	81,090
Deferred revenue	(818)	18
Grants liability	-	(37,630)
Net cash provided by operating activities	<u>725,112</u>	<u>15,026</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Property and equipment acquisitions	<u>(393,002)</u>	<u>(321,588)</u>
Net cash (used in) investing activities	<u>(393,002)</u>	<u>(321,588)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	-	400,000
Net proceeds from line of credit borrowings	60,356	70,604
Payments on capital lease obligations	(2,678)	(2,458)
Payments on long-term debt	<u>(107,791)</u>	<u>(29,438)</u>
Net cash (used in) provided by financing activities	<u>(50,113)</u>	<u>438,708</u>
Net increase in cash and cash equivalents	281,998	132,146
Cash and cash equivalents		
Beginning	<u>311,857</u>	<u>179,711</u>
Ending	<u>\$ 593,855</u>	<u>\$ 311,857</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 68,871</u>	<u>\$ 74,926</u>

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF OPERATIONS

E. A. Hawse Health Center, Inc. (the Organization or the Center) is a non-profit organization established as a Federally Qualified Health Center (FQHC) for the purpose of providing primary care services to the residents of Hardy County, West Virginia and the surrounding areas. The Organization's revenues are received primarily from patients, governmental grants, and donated pharmaceuticals. The Organization's principal operations are in Baker, West Virginia. Baker is situated in Hardy County, West Virginia.

The Center's Articles of Incorporation established a General Membership consisting of 27 members. The General Membership is responsible for electing the Center's Board of Directors. Under the terms of a bequest which created the Center, 15 individuals of the General Membership are required to be appointed by the Hardy County Committee on Aging, Incorporated. The remaining 12 members come from various civic and social organizations in the area.

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

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

Temporarily restricted net assets – net assets subject to donor/grantor-imposed stipulations that will be met 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.

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. The carrying amount of cash equivalents approximates fair value because of the short maturity of these financial instruments.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. The most significant estimates affecting the financial statements are the collectability of receivables, depreciation, and revenue recognition.

Receivables

Receivables are unsecured, and represent the estimated net realizable amounts from patients, third party payers, federal and state grants, 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. Management's estimates of allowances for doubtful accounts are based on historical experience and analysis of individual patient and third-party receivables. Accounts are considered delinquent if payment is not received in 90 days. Specific balances are written off at the time that they are determined to be uncollectible. As of May 31, 2011 and 2010, the allowances for uncollectible accounts were \$661,022 and \$422,322, respectively

Inventories

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

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 (5 – 40 years). 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.

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.

The Organization's temporarily restricted net assets of \$71,475 and \$122,143 at May 31, 2011 and 2010, respectively, were principally to be used to fund future primary care services.

Economic Dependency

The Organization receives a significant portion of its support from federal and state government grants, Medicare and Medicaid programs, donated pharmaceuticals, 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 Hardy County 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. As a Federally Qualified Health Center, the Organization receives cost-based reimbursements from the Medicare and Medicaid programs. Grant revenues are primarily recognized on a cost-reimbursement basis.

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 May 31, 2011 and 2010.

Fair Value

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Organization has an investment in the marketable equity security of an entity engaged in banking. The investment is classified as a trading security and is carried at cost (\$9,600) which approximates its fair value.

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

Reclassifications

Certain amounts for the year ended May 31, 2010, have been reclassified to conform to the presentation of the May 31, 2011 amounts. The reclassifications have no effect on the change in net assets for the year ended May 31, 2010.

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, any retroactive adjustments, would not be material to the Organization's financial position or results of operations.

NOTE 4. CASH BALANCES IN EXCESS OF INSURANCE

The Organization maintains accounts in local banks where deposits are insured up to \$250,000 by the Federal Deposit Insurance Corporation. The Organization's balances may occasionally exceed the insurance limits; however, management believes the risk relating to the uninsured excess is minimal.

NOTE 5. 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 6. PENSION PLAN

The Organization has established a 401(k) deferred compensation plan for the benefit of eligible employees to defer a portion of their annual compensation. The Organization's Board of Directors determines the matching discretionary contribution to the plan annually. During fiscal years ended May 31, 2011 and 2010, the Organization made no matching contributions to the plan.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 7. UNCERTAIN INCOME TAX POSITIONS

Accounting Standards prescribe a recognition threshold and measurement attribute for a tax position taken or expected to be taken in a tax return where there is uncertainty about whether a tax position will ultimately be sustained upon examination. The Organization does not believe its financial statements include (or reflect) any uncertain tax positions. The Center's federal Return of Organizations Exempt from Income Taxes for tax years ending May 31, 2011 (unfiled) and 2010, 2009 and 2008 (filed) remain subject to examination by the Internal Revenue Service.

NOTE 8. 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 years ended May 31, 2011 and 2010, were as follow:

	2011	2010
Administrative and general	\$ 1,439,766	\$ 1,123,377
Program services	<u>8,849,467</u>	<u>6,178,635</u>
	<u>\$10,289,233</u>	<u>\$ 7,302,012</u>

NOTE 10. LESSOR LEASING ARRANGEMENT/RESTRICTED LAND

E.A. Hawse Health Center, Inc. has a lease agreement with Hemlock, LLC. This lease is for land that the Center owns, but where a nursing home is located. The original lease began on August 9, 1983, and stated that the lessee was to pay \$1 per year for 99 years. In October 2006, the agreement was amended and a lump sum of \$30,000 was agreed upon for the remaining 75 years of the lease. Every year, \$400 will be released from deferred revenue until 2028. The deferred revenue balance as of May 31, 2011 and 2010 was \$28,000 and \$28,400, respectively.

The land that the Center is leasing to Hemlock, LLC was acquired as part of a larger tract which includes the location of the Center. A portion of that land is considered a temporarily restricted net asset as the land cannot be sold or donated for the remainder of the lease agreement. It has been estimated that the leased land is 14% of the entire tract. The original carrying value of the leased land is \$5,409.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 11. OBLIGATION UNDER CAPITAL LEASE

As of May 31, 2011 and 2010, the Organization's capital lease obligation was:

	2011	2010
Capital lease payable in monthly installments of \$265, including interest at 9.368%, maturing August 2012, collateralized by a copier with a May 31, 2011 unamortized cost of \$3,807.	\$ 3,589	\$ 6,267
Less current portion	<u>2,939</u>	<u>2,678</u>
	<u>\$ 650</u>	<u>\$ 3,589</u>

As of May 31, 2011, future lease payments under this capital lease are as follows:

<u>Year Ending May 31:</u>		
2012	\$ 2,939	
2013	<u>1,042</u>	
	3,981	
Less imputed interest	<u>(392)</u>	
	<u>\$ 3,589</u>	

NOTE 12. NOTES PAYABLE AND BANK LINE OF CREDIT

	2011	2010
Capon Valley Bank; payable in monthly installments of \$1,974 including interest at 6.25%, secured by 3rd deed of trust and clinic buildings, maturing on September 4, 2028	\$ 250,237	\$ 258,150
Capon Valley Bank; payable in monthly installments of \$4,094 including interest at 6.25%, secured by 2nd deed of trust and clinic buildings and land, maturing on September 4, 2028	519,011	535,422
Capon Valley Bank; payable in monthly installments of \$4,490 including interest at 6.25%, secured by 4th deed of trust and clinic buildings and land, maturing on February 22, 2020	<u>362,438</u>	<u>392,583</u>
	1,131,686	1,186,155
Less current portion	<u>58,840</u>	<u>54,118</u>
	<u>\$ 1,072,846</u>	<u>\$ 1,132,037</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 12. NOTES PAYABLE AND BANK LINE OF CREDIT (Continued)

As of May 31, 2010, future payments on notes payable for the years ending are as follows:

2012	\$ 58,840
2013	59,864
2014	65,233
2015	69,431
2016	73,754
Thereafter	<u>804,564</u>
	<u>\$ 1,131,686</u>

The Organization has a line of credit with Capon Valley bank in the amount of \$250,000, with interest payable at 6.25%. At May 31, 2011, the Organization had \$77,639 outstanding under this line of credit. This line is secured by land and the E. A. Hawse Health Center building.

NOTE 13. SUBSEQUENT EVENTS

Accounting Standards require management to search for events that occur after the balance sheet date but before financial statements are issued. The standard is effective for the Organization beginning with the fiscal year ended May 31, 2011. Management has evaluated events subsequent from May 31, 2011 through February 24, 2012, 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.

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
E. A. Hawse Health Center, Inc.
Baker, West Virginia

We have audited the financial statements of E. A. Hawse Health Center, Inc. (a nonprofit organization) as of and for the year ended May 31, 2011, and have issued our report thereon dated February 24, 2012. 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 E. A. Hawse Health 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 E. A. Hawse Health 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 a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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 deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness (Item 2011-1).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether E. A. Hawse Health 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.

Toothman Rice, PLLC

Bridgeport, West Virginia
February 24, 2012

DHHR - Finance

MAR 26 2012

Date Received

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

To the Board of Directors
E. A. Hawse Health Center, Inc.
Baker, West Virginia

Compliance

We have audited the compliance of E. A. Hawse Health Center, Inc. with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended May 31, 2011. E. A. Hawse Health Center, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on E. A. Hawse Health Center, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about E. A. Hawse Health Center, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of E. A. Hawse Health Center, Inc.'s compliance with those requirements.

In our opinion, E. A. Hawse Health Center, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended May 31, 2011.

DHHR - Finance

MAR 26 2012

Date Received

Internal Control Over Compliance

The management of E. A. Hawse Health 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 E. A. Hawse Health 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 E. A. Hawse Health Center, Inc.'s internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2011-1 to be a material weakness.

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.

Toothman Rice, PLLC

Bridgeport, West Virginia
February 24, 2012

DHHR - Finance

MAR 26 2012

Date Received

E. A. HAWSE HEALTH CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended May 31, 2011

Federal Grantor	Federal CFDA/ Grant Number	Federal Expenditures
Direct Awards:		
US Department of Health and Human Services-Health Resources & Services Administration-		
Community Health Centers Program	93.224	\$ 693,172
Health Care and Other Facilities	93.887	52,892
ARRA - Increase Services to Health Centers	93.703	75,000
ARRA - Capital Improvement Program	93.703	<u>345,568</u>
Subtotal of CFDA # 93.703		<u>420,568</u>
<i>Total Direct Awards</i>		<u>\$ 1,166,632</u>

Note A - Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of the Organization and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented may differ from the amounts presented in , or used in the preparation of the basic financial statements.

E. A. HAWSE HEALTH CENTER, INC.
 SCHEDULE OF EXPENDITURES OF STATE AWARDS

Year Ended May 31, 2011

State Grantor	Grant Number	Award Amount	2010 Receivable (Deferred)	Expenditures	2011 Receivable (Deferred)
Department of Health and Human Human Resources					
Uncompensated Care Grant					
(07/01/10-06/30/11)	G110314	\$295,392	\$ -	\$ 258,143	\$ (37,249)
(07/1/09 - 06/30/10)	G100082	\$308,670	(37,401)	37,401	-
			<u>\$ (37,401)</u>	<u>\$ 295,544</u>	<u>\$ (37,249)</u>
Total expenditures of state awards			<u>\$ (37,401)</u>	<u>\$ 295,544</u>	<u>\$ (37,249)</u>

Note A - Basis of Presentation

The schedule of expenditures of state awards includes the state grant activity of the Organization and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented may differ from the amounts presented in, or used in the preparation of the basic financial statements.

E. A. HAWSE HEALTH CENTER, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 May 31, 2011

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	Name of Federal Program
93.224	Community Health Centers Program
93.703	ARRA -- Increased Services to Health Centers
93.703	ARRA – Capital Improvement Projects

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

Auditee qualified as low-risk auditee? Yes X No

E. A. HAWSE HEALTH CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
May 31, 2011

Section II – Financial Statement Audit

2011-1 Separation of Duties

Condition: The person responsible for general ledger transactions developed a substance abuse problem during the period. This situation was not fully realized for a few months. During this time the reconciliations for many subsidiary ledgers and other source documents were not properly recorded or processed correctly in the accounting department.

Criteria: The internal control structure of an organization is designed to allow for the proper processing and recording of transactions in the event one or more employees are unable to conduct their duties. Frequently, positions are cross trained in order to better enable a company to withstand the temporary or permanent loss of an employee or position.

Effect: The Organization was not able to properly record transactions during the year until the situation was identified, a replacement was located and the replacement individual was properly trained to conduct the activities necessary in the accounting department.

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

Recommendations: The Organization should seek out qualified applicants to monitor the ongoing activities of the accounting department in order to prevent future occurrences similar to this situation.

Views of Responsible Officials and Planned Corrective Actions: The Center agrees that too much reliance was placed on this individual. Additionally, due to some cover up stories, the Organization did not notice timely that the individual had ceased conducting their duties until a few months had passed. The Organization has replaced this individual and hired a Chief Operating Officer (COO) to assist the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) in overseeing and operating the Organization. This situation was remedied subsequent to year end with the employment of the COO position.

Section III – Major Federal Awards Programs Audit

Department of Health & Human Services – Health Resources and Services Administration - Community Health Centers Program (CFDA 93.224); ARRA -- Increased Services to Health Centers (CFDA 93.703); ARRA -- Capital Improvements Projects (CFDA 93.703).

2011-1 Separation of Duties – Material Deficiency – The material internal control deficiency described above also applies to these major programs.

E. A. HAWSE HEALTH CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
May 31, 2011

Section V – Summary Schedule of Prior Audit Findings

2010-1 Limited Separation of Duties

Finding: The Organization should have a system of internal controls adequately designed to properly separate duties within the accounting function.

Status of Corrective Action: Corrected subsequent to May 31, 2010 - E. A. Hawse Health Center, Inc. has restructured its Finance Department to involve more staff in the separation of duties and controls at the Organization.

February 24, 2012

To the Board of Directors
E.A. Hawse Health Center, Inc.
Baker, West Virginia

We have audited the financial statements of E.A. Hawse Health Center, Inc. for the year ended May 31, 2011, and have issued our report thereon dated February 24, 2012. 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 March 13, 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 E.A. Hawse Health Center, Inc. are described in Note 2 to the financial statements. The Organization adopted no new accounting policies during the year.

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. This estimate is based on historical sales, historical loss levels, and an analysis of the collectability of individual accounts.

Depreciation expense is an estimate based on the expected useful lives of the real estate, furniture and fixtures used by the organization as determined by guidelines provided by the American Hospital Association.

We evaluated the key factors and assumptions used to develop the estimates and believe 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 net patient service revenue as described in Note 3 to the financial statements is based upon significant judgment in determining the amount that will ultimately be realized from patient services.

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 February 24, 2012.

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 E. A. Hawse Health 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

Toothman Rice, PLLC

Bridgeport, West Virginia

Client: **EAHA1KA - E.A. Hawse Health Center, Inc.**
 Engagement: **2011 - E. A. Hawse Health Center, Inc.**
 Period Ending: **5/31/2011**
 Trial Balance: **2a.01 - Trial Balance Database**
 Workpaper: **2a.02 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1		A.02		
To correct Pharmacy account for double posting of deposit				
1200-130	ACCOUNTS RECEIVABLE PHARMACY		106,511.20	
6801-130	SUPPLIES, 340B PHARMACY		138,263.34	
1002-000	PHARMACY			244,774.54
Total			244,774.54	244,774.54
Adjusting Journal Entries JE # 2		R.9		
To reclassify interest income				
1008-000	SUMMIT RESERVE		60.10	
1009-000	SPECIAL SAVINGS		45.17	
4301-000	INT-OPERATIONAL RESERVE			9.69
4304-000	INT-STATE FUNDS			0.77
4308-000	INT-SUMMIT RESERVE ACCOUNT			49.75
4309-000	INT-SPECIAL FUNDS ACCOUNT			37.46
4312-000	INT-MISCELLANEOUS			7.60
Total			105.27	105.27
Adjusting Journal Entries JE # 3		A.03		
To close summit bank accounts				
1000-000	CV CHECKING		85,000.00	
1000-000	CV CHECKING		147,742.36	
1011-000	CREDIT CARD ACCOUNT		103,903.26	
5808-000	BANK FEES - NOT INTEREST		4,027.79	
1008-000	SUMMIT RESERVE			34,611.77
1009-000	SPECIAL SAVINGS			26,050.92
1011-000	CREDIT CARD ACCOUNT			4,027.69
1011-000	CREDIT CARD ACCOUNT			85,000.00
1011-000	CREDIT CARD ACCOUNT			87,079.77
1200-000	ACCOUNTS RECEIVABLE			103,903.26
Total			340,673.41	340,673.41
Adjusting Journal Entries JE # 4		A.02-1		
To adjust staff fund				
1015-000	STAFF FUND		390.89	
4312-000	INT-MISCELLANEOUS			390.89
Total			390.89	390.89
Adjusting Journal Entries JE # 5		GL		
To post receipt of CIP funds, all cash transactions have been recorded and posted to AR therefore the receipt here also needs posted to AR				
3200-000	TEMP REST GRANTS:ADM		75,000.00	
1205-000	GRANT RECEIVABLE			75,000.00
Total			75,000.00	75,000.00
Adjusting Journal Entries JE # 6		S1.04		
To post final receipt of state uncompensated care grant				
1200-000	ACCOUNTS RECEIVABLE		143,021.00	
3200-000	TEMP REST GRANTS:ADM		152.00	
3300-000	Net Assets Released from Restrictions			152.00
4100-000	WV STATE GRANT			143,021.00
Total			143,173.00	143,173.00

Client: **EAHA1KA - E.A. Hawse Health Center, Inc.**
 Engagement: **2011 - E. A. Hawse Health Center, Inc.**
 Period Ending: **5/31/2011**
 Trial Balance: **2a.01 - Trial Balance Database**
 Workpaper: **2a.02 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 7		S1.03		
To record final drawdowns on IDS grants				
4000-000	FEDERAL OPERATIONAL GRANT		23,200.00	
4000-010	FEDERAL IDS			23,200.00
Total			23,200.00	23,200.00
Adjusting Journal Entries JE # 8		S1.03		
To record sisters of st joseph activity				
1200-000	ACCOUNTS RECEIVABLE		20,583.33	
1205-000	GRANT RECEIVABLE		28,816.67	
3200-000	TEMP REST GRANTS:ADM		4,333.33	
3200-000	TEMP REST GRANTS:ADM			28,816.67
3300-000	Net Assets Released from Restrictions			4,333.33
4103-000	SISTERS OF ST. JOSEPH			20,583.33
Total			53,733.33	53,733.33
Adjusting Journal Entries JE # 9		A.04		
To post entry to cash				
2000-000	ACCOUNTS PAYABLE		424,001.83	
1000-000	CV CHECKING			424,001.83
Total			424,001.83	424,001.83
Adjusting Journal Entries JE # 10		T.02		
To adjust health insurance expense and liability to estimated balances				
2000-000	ACCOUNTS PAYABLE		503,797.62	
2109-000	INSURANCE W/H		46,299.68	
5720-000	INS-MAJOR MEDICAL			550,097.30
Total			550,097.30	550,097.30
Adjusting Journal Entries JE # 11		T.03		
To adjust workers compensation expense				
2111-000	WORKERS COMP PAYABLE		11,774.24	
6320-000	PR TAX-WORKERS COMP			11,774.24
Total			11,774.24	11,774.24
Adjusting Journal Entries JE # 12		T.03		
to adjust suta liability to reflect \$18240.95 in accounts payable and a receivable from the state for \$12171.95				
2105-000	WV SUTA		34,576.84	
2000-000	ACCOUNTS PAYABLE			18,068.72
6310-000	PR TAX-STATE UNEMPLOYMENT			16,508.12
Total			34,576.84	34,576.84
Adjusting Journal Entries JE # 13		gl		
To remove grants included in cash transactions				
1200-000	ACCOUNTS RECEIVABLE		41,733.00	
2205-000	GRANTS LIABILITY			41,733.00
Total			41,733.00	41,733.00
Adjusting Journal Entries JE # 14		T.03		

Client: **EAHA1KA - E.A. Hawse Health Center, Inc.**
 Engagement: **2011 - E. A. Hawse Health Center, Inc.**
 Period Ending: **5/31/2011**
 Trial Balance: **2a.01 - Trial Balance Database**
 Workpaper: **2a.02 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
To adjust liability for State Tax Withheld				
2000-000	ACCOUNTS PAYABLE		13,756.97	
2100-000	FEDERAL INCOME TAX W/H		21,924.05	
2101-000	FICA W/H		10,707.40	
2104-000	WV STATE INCOME TAX W/H		8,633.49	
2100-000	FEDERAL INCOME TAX W/H			21,924.05
6300-000	PR TAX-EMPLOYERS FICA			13,756.97
6300-000	PR TAX-EMPLOYERS FICA			19,340.89
Total			55,021.91	55,021.91
Adjusting Journal Entries JE # 15				
to record other receivables for PAAS and Rent		J.04		
1200-100	MISC/OTHER RECEIVABLES		67,445.00	
4209-000	PAAS ADMINISTRATION			60,000.00
6520-500	RENTAL:MISC-LEASE:MED-MFLD			7,445.00
Total			67,445.00	67,445.00
Adjusting Journal Entries JE # 16				
to adjust ar		b.2		
1200-000	ACCOUNTS RECEIVABLE		1,846,507.97	
4203-000	MEDICAL INCOME			1,846,507.97
Total			1,846,507.97	1,846,507.97
Adjusting Journal Entries JE # 17				
to estimate pharmacy ar				
1200-130	ACCOUNTS RECEIVABLE PHARMACY		2,884,366.94	
4205-130	PHARMACY INCOME			2,884,366.94
Total			2,884,366.94	2,884,366.94
Adjusting Journal Entries JE # 18				
To adjust capital lease.		K.04		
2500-000	N/P - GIM		1,370.03	
5900-000	MAINT/REP-EQUIPMENT			1,370.03
Total			1,370.03	1,370.03
Adjusting Journal Entries JE # 19				
to adjust inventory per count sheet		c.02		
1500-210	INVENTORY:DENTAL/P-BURG		13,375.90	
1500-230	INVENTORY - PHARMACY		5,080.62	
1500-240	INVENTORY:PHY-W		44,938.81	
1500-000	INVENTORY			45,233.21
6801-130	SUPPLIES, 340B PHARMACY			18,162.12
Total			63,395.33	63,395.33
Adjusting Journal Entries JE # 20				
To record valuation allowance against investment		J.03		
4314-000	GAIN/LOSS ON INVESTMENTS		4,497.00	
1050-000	HIGHLAND BANKCORP			4,497.00
Total			4,497.00	4,497.00

Client: **EAHA1KA - E A. Hawse Health Center, Inc.**
 Engagement: **2011 - E. A. Hawse Health Center, Inc.**
 Period Ending: **5/31/2011**
 Trial Balance: **2a.01 - Trial Balance Database**
 Workpaper: **2a.02 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 21		K.02		
to adjust debt to confirmed balances				
2017-000	CVB - LINE OF CREDIT		69,355.56	
5810-000	INTEREST MORTGAGE 2004 BLDG		4,280.42	
5811-000	MORTGAGE INTEREST 2007 BLDG		8,877.80	
5812-000	MORTGAGE INTEREST PHARMACY		16,718.38	
2600-000	N/P - MISCELLANEOUS			16,035.00
2650-000	MORTGAGE-2004 BLDG			4,280.42
2651-000	MORTGAGE-2007 BLDG			8,877.80
2652-000	MORTGAGE-PHARMACY			16,718.38
4600-001	MISC PATIENT INCOME			9,633.78
5800-000	INTEREST EXPENSE			9,432.76
5805-000	LINE OF CREDIT			2,191.49
5806-000	BANK FEES - NOT INTEREST			11,772.72
5810-000	INTEREST MORTGAGE 2004 BLDG			1,988.90
5811-000	MORTGAGE INTEREST 2007 BLDG			4,107.20
5812-000	MORTGAGE INTEREST PHARMACY			14,193.71
Total			99,232.16	99,232.16
Adjusting Journal Entries JE # 22		M.01		
to adjust accrued annual leave				
6300-000	PR TAX-EMPLOYERS FICA		2,004.48	
6420-100	PR-SALARIES: MED-B		35,324.39	
6420-280	PR-SALARIES: OFF-M		71,525.42	
2101-000	FICA W/H			2,004.48
2400-000	ACCRUED ANNUAL LEAVE			80,647.35
2402-000	ACCRUED SALARIES			26,202.46
Total			108,854.29	108,854.29
Adjusting Journal Entries JE # 23		M.03		
to amortize portion of land lease				
2660-000	NURSING HOME LAND LEASE		400.00	
4403-130	RENT PHARMACY			400.00
Total			400.00	400.00
Adjusting Journal Entries JE # 24		I.02		
to record depreclaiton expense				
1904-000	ACCUM DEPR SCH HLTH EQUIP		1.02	
5500-000	DEPREC-BUILDING		45,590.56	
5500-010	DEPREC 2004 BUILDING		7,260.42	
5500-011	DEPREC 2007 BUILDING		17,606.52	
5500-020	DEPREC PHARMACY		26,983.56	
5510-000	DEPREC-DENTAL EQUIP		27,082.73	
5520-000	DEPREC-MEDICAL EQUIPMENT		24,395.09	
5540-000	DEPREC-OFFICE EQUIPMENT		15,737.68	
5545-000	DEPREC-SOFTWARE		8,548.00	
5550-000	DEPREC-OTHER ASSETS		4,896.46	
1900-000	ACCUM DEPR BUILDING			45,590.56
1900-010	ACCUM DEPREC 2004 BLDG			7,260.42
1900-011	ACCUM DEPREC 2007 BLDG			17,606.52
1901-000	ACCUM DEPR MEDICAL EQUIP			24,395.09
1902-000	ACCUM DEPR DENTAL EQUIP			27,082.73
1903-000	ACCUM DEPR OFFICE EQUIP			15,737.68

Client: **EAHA1KA - E. A. Hawse Health Center, inc.**
 Engagement: **2011 - E. A. Hawse Health Center, inc.**
 Period Ending: **5/31/2011**
 Trial Balance: **2a.01 - Trial Balance Database**
 Workpaper: **2a.02 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
1907-000	ACCUM DEPR OTHER ASSETS			4,897.48
1910-000	ACCUM DEPR PHARMACY			26,983.56
1913-000	ACCUM DEPR SOFTWARE			8,548.00
Total			178,102.04	178,102.04
Adjusting Journal Entries JE # 25		J.02		
To adjust for prepaid items not expensed				
5910-000	MAINT/REP-OTHER		19,807.78	
1100-000	PRE-PAID EXPENSE			19,807.78
Total			19,807.78	19,807.78
Adjusting Journal Entries JE # 26		B.2		
To adjust balances in ar and ap				
2000-000	ACCOUNTS PAYABLE		287,135.00	
1300-000	RESERVE FOR BAD DEBTS			166,835.53
4203-001	Medical Income			118,299.47
Total			287,135.00	287,135.00
Adjusting Journal Entries JE # 27		S1.03		
To record cip earnings				
2670-000	CIP GRANT UNEAR/PORT:ADM		418.40	
4211-000	ADJ-PRIVATE INSURANCE		15,000.00	
4000-020	FEDERAL CIP			15,418.40
Total			15,418.40	15,418.40
Adjusting Journal Entries JE # 28		L.03		
to adjust accounts payable				
2000-000	ACCOUNTS PAYABLE		270,974.77	
3300-000	Net Assets Released from Restrictions		4,485.33	
4211-000	ADJ-PRIVATE INSURANCE		628,860.56	
4211-022	ADJ-SELF PAY		300,000.00	
3000-000	RETAINED EARNINGS			37,402.87
4203-001	Medical Income			270,974.77
4203-001	Medical Income			654,452.00
4205-130	PHARMACY INCOME			239,491.02
Total			1,202,320.66	1,202,320.66
Adjusting Journal Entries JE # 29		CR		
TO ADJUST CR SETTLEMENTS TO AS FILED REPORTS				
4213-000	MC/Mcd COST SETTLEMENT		18,600.00	
1200-200	COST REPORT SETTLEMENTS			18,600.00
Total			18,600.00	18,600.00
Adjusting Journal Entries JE # 30		PBC		
To record additional donated items				
6802-000	DONATED PHARMACEUTICALS		533,175.00	
4502-000	DONATED PHARMACEUTICALS			533,175.00
Total			533,175.00	533,175.00
Adjusting Journal Entries JE # 31		pbc		

Client: **EAHA1KA - E.A. Hawse Health Center, Inc.**
 Engagement: **2011 - E. A. Hawse Health Center, Inc.**
 Period Ending: **5/31/2011**
 Trial Balance: **2a.01 - Trial Balance Database**
 Workpaper: **2a.02 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
To adjust bad debt to actual				
4211-022	ADJ-SELF PAY		44,304.29	
9500-000	RECOVERY OF BAD DEBTS			7,374.00
9600-000	BAD DEBT EXPENSE			36,930.29
Total			44,304.29	44,304.29
Adjusting Journal Entries JE # 32				
to reclass expenses based upon client review				
		pbc		
6801-130	SUPPLIES, 340B PHARMACY		44,783.00	
5120-000	COMMUN-TELEPHONE			33,039.00
7010-000	UTIL-ELECTRIC			11,744.00
Total			44,783.00	44,783.00