

E.A. Hawse Health Center, Inc.

Financial Report and Single Audit Reports

May 31, 2012

DHHR - Finance

FEB 25 2013

Date Received



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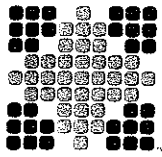
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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SCHEDULES OF FEDERAL AND STATE AWARDS

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

We have audited the accompanying statement of financial position of E. A. Hawse Health Center, Inc., a non-profit organization, as of May 31, 2012, and the related statements of activities, changes in net assets, and cash flows for the year 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. The financial statements as of May 31, 2011, were audited by Toothman Rice PLLC, who merged with Arnett Foster Toothman PLLC as of September 1, 2012, and whose report dated February 24, 2012, expressed an unqualified opinion on those statements.

We conducted our 2012 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2012 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, 2012, and the changes in its 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 06, 2013, 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 2012 audit was performed for the purpose of forming an opinion on the 2012 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 2012 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Arnett Foster Toothman PLLC

Bridgeport, West Virginia
February 06, 2013

DHHR - Finance

FEB 25 2013

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

May 31, 2012 and 2011

	2012	2011
ASSETS		
Cash and cash equivalents	\$ 600,976	\$ 593,855
Patient service and third-party receivables, net	962,078	800,218
Grants receivable	37,080	28,817
Medicare and Medicaid cost report receivables	24,000	30,400
Inventories	315,830	313,819
Prepaid expenses and deposits	<u>48,626</u>	<u>7,474</u>
Total current assets	<u>1,988,590</u>	<u>1,774,583</u>
PROPERTY AND EQUIPMENT, at cost		
Land	38,920	38,920
Buildings and improvements	2,339,751	2,339,751
Furniture and equipment	<u>1,742,315</u>	<u>1,736,441</u>
	4,120,986	4,115,112
Less accumulated depreciation	<u>1,984,057</u>	<u>1,794,867</u>
	<u>2,136,929</u>	<u>2,320,245</u>
 Total assets	 <u>\$ 4,125,519</u>	 <u>\$ 4,094,828</u>
LIABILITIES AND NET ASSETS		
Notes payable, current portion	\$ 59,864	\$ 58,840
Bank line of credit borrowings	-	77,639
Capital lease obligation, current portion	785	2,939
Trade accounts payable	139,345	456,605
Accrued expenses	<u>310,120</u>	<u>498,895</u>
Total current liabilities	510,114	1,094,918
Notes payable, long-term portion	1,013,343	1,072,846
Deferred revenue	27,600	28,000
Capital lease obligation, long-term portion	<u>-</u>	<u>650</u>
Total liabilities	<u>1,551,057</u>	<u>2,196,414</u>
NET ASSETS		
Unrestricted	2,531,973	1,826,939
Temporarily restricted	<u>42,489</u>	<u>71,475</u>
Total net assets	<u>2,574,462</u>	<u>1,898,414</u>
 Total liabilities and net assets	 <u>\$ 4,125,519</u>	 <u>\$ 4,094,828</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, 2012 and 2011

	2012	2011
Unrestricted revenues and support		
Net patient service revenues	\$ 7,792,707	\$ 7,636,048
Donated pharmaceuticals	649,272	1,273,238
Federal grants	833,880	1,091,633
State and other grants	257,809	304,725
Net assets released from restrictions	66,066	116,734
Other	<u>(257)</u>	<u>6,373</u>
Total unrestricted revenues and support	<u>9,599,477</u>	<u>10,428,751</u>
Unrestricted expenses		
Salaries and wages	3,913,621	3,928,825
Donated drugs and supplies	649,272	1,273,238
Medical and other supplies	2,333,348	2,484,855
Payroll taxes and employee benefits	860,842	890,538
Bad debts	74,340	54,789
Contracted services	157,792	646,200
Professional services	36,536	58,641
Repairs and maintenance	162,159	239,402
Rent	114,508	158,970
Depreciation	189,189	178,101
Insurance	16,112	13,621
Utilities and telephone	123,607	97,325
Travel and education	43,447	32,661
Interest	70,237	68,871
Federal grant for health care and other facilities	-	52,892
Other	<u>149,433</u>	<u>110,304</u>
Total unrestricted expenses	<u>8,894,443</u>	<u>10,289,233</u>
Change in unrestricted net assets	<u>\$ 705,034</u>	<u>\$ 139,518</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, 2012 and 2011

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
Balance May 31, 2010	\$ 1,687,421	\$ 122,143	\$ 1,809,564
Restricted grants	-	66,066	66,066
Net assets released from restrictions	-	(116,734)	(116,734)
Change in unrestricted net assets	<u>139,518</u>	<u>-</u>	<u>139,518</u>
Changes in net assets	<u>139,518</u>	<u>(50,668)</u>	<u>88,850</u>
 Balance May 31, 2011	 1,826,939	 71,475	 1,898,414
Restricted grants	-	37,080	37,080
Net assets released from restrictions	-	(66,066)	(66,066)
Change in unrestricted net assets	<u>705,034</u>	<u>-</u>	<u>705,034</u>
Changes in net assets	<u>705,034</u>	<u>(28,986)</u>	<u>676,048</u>
 Balance May 31, 2012	 <u>\$ 2,531,973</u>	 <u>\$ 42,489</u>	 <u>\$ 2,574,462</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, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 676,048	\$ 88,850
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	189,189	178,101
Loss on investments	-	4,498
(Increase) decrease in:		
Patient and third-party receivables	(161,860)	(206,197)
Federal and state grants receivable	(8,263)	83,584
Medicare and Medicaid cost report receivables	6,400	18,600
Inventories	(2,011)	(32,171)
Prepaid expenses and deposits	(41,152)	5,803
Increase (decrease) in:		
Trade accounts payable	(317,260)	270,337
Accrued expenses	(188,775)	314,525
Deferred revenue	(400)	(818)
Net cash provided by operating activities	<u>151,916</u>	<u>725,112</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Property and equipment acquisitions	<u>(5,874)</u>	<u>(393,002)</u>
Net cash (used in) investing activities	<u>(5,874)</u>	<u>(393,002)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from line of credit borrowings	60,356	60,356
Payments on capital lease obligations	(2,804)	(2,678)
Payments on long-term debt	<u>(196,473)</u>	<u>(107,791)</u>
Net cash (used in) financing activities	<u>(138,921)</u>	<u>(50,113)</u>
 Net increase in cash and cash equivalents	 7,121	 281,997
 Cash and cash equivalents		
Beginning	<u>593,855</u>	<u>311,858</u>
Ending	<u>\$ 600,976</u>	<u>\$ 593,855</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 70,237</u>	<u>\$ 68,871</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, 2012 and 2011, the allowances for uncollectible accounts were \$635,274 and \$661,022, 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.

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, 2012 and 2011.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Charity Care

The Company 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. The criteria for charity care consider family income, liquid assets and family worth as well as other subjective items. Because the Company does not pursue collection of these amounts, they are not included in net patient revenues.

The net cost of charity care provided was approximately \$849,535 and \$838,637 for the years ended May 31, 2012 and 2011, respectively. The total cost estimate is based on the estimated cost per encounter of each charity patient multiplied by the number of charity encounters. The net cost of charity care is determined by the total charity care cost less any patient-related revenue due to sliding-scale payments or other patient-specific sources, which were estimated to be \$288,985 and \$274,942 for the years ended May 31, 2012 and 2011, respectively.

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 \$42,489 and \$71,475 at May 31, 2012 and 2011, respectively, were principally to be used to fund future primary care services.

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.

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.

Compensated Absences

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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, 2012 and 2011, the Organization made no matching contributions to the plan.

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, 2012 (unfiled) and 2010, 2009 and 2008 (filed) remain subject to examination by the Internal Revenue Service.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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, 2012 and 2011, were as follow:

	2012	2011
Administrative and general	\$ 1,405,089	\$ 1,439,766
Program services	<u>7,489,354</u>	<u>8,849,467</u>
	<u>\$ 8,894,443</u>	<u>\$10,289,233</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, 2012 and 2011 was \$27,600 and \$28,000, 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.

NOTE 11. OBLIGATION UNDER CAPITAL LEASE

As of May 31, 2012 and 2011, the Organization's capital lease obligation was:

	2012	2011
Capital lease payable in monthly installments of \$265, including interest at 9.368%, maturing August 2012, collateralized by a copier with a May 31, 2012 unamortized cost of \$1,269.	\$ 785	\$ 3,589
Less current portion	<u>785</u>	<u>2,939</u>
	<u>\$ -</u>	<u>\$ 650</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 11. OBLIGATION UNDER CAPITAL LEASE (Continued)

As of May 31, 2012, future lease payments under this capital lease are as follows:

Year Ending May 31:

2013	\$	797	
		797	
Less imputed interest		(12)	
	\$	785	

NOTE 12. NOTES PAYABLE AND BANK LINE OF CREDIT

	2012	2011	
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	\$ 242,004	\$ 250,237	
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	501,935	519,011	
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	329,268	362,438	
	1,073,207	1,131,686	
Less current portion	59,864	58,840	
	\$ 1,013,343	\$ 1,072,846	

As of May 31, 2012, future payments on notes payable for the years ending May 31 are as follows:

2013	\$	59,864	
2014		65,233	
2015		69,431	
2016		73,754	
2017		78,641	
Thereafter		726,284	
	\$	1,073,207	

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, 2012 and 2011, the Organization had \$- and \$77,639, respectively, outstanding under this line of credit. This line is secured by land and the E. A. Hawse Health Center building.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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. Management has evaluated events subsequent from May 31, 2012 through February 06, 2013, 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.



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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, 2012, and have issued our report thereon dated February 06, 2013. 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 2012-1).

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.

Arnett Foster Toothman PLLC

Bridgeport, West Virginia
February 06, 2013

DHHR - Finance

FEB 25 2013

Date Received

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

Year Ended May 31, 2012

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	\$ 467,909
Affordable Care Act - Grants for New and Expanded Services under the Health Center Program	93.527	<u>299,696</u>
Community Health Centers Program Cluster		<u>\$ 767,605</u>
ARRA - Grants to Health Centers Programs	93.703	<u>\$ 66,275</u>
Total Federal Funding		<u><u>\$ 833,880</u></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.

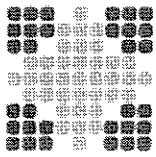
E. A. HAWSE HEALTH CENTER, INC.
SCHEDULE OF EXPENDITURES OF STATE AWARDS

Year Ended May 31, 2012

State Grantor	Grant Number	Award Amount	2011 Receivable (Deferred)	Expenditures	2012 Receivable (Deferred)
Department of Health and Human Human Resources					
Uncompensated Care Grant					
(07/01/10-06/30/11)	G110314	\$ 295,392	\$ (37,249)	\$ 37,249	\$ -
(07/1/12 - 06/30/12)	G120185	\$ 294,889	-	257,809	(37,080)
Total expenditures of state awards			\$ (37,249)	\$ 295,058	\$ (37,080)

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.



arnett
foster
toothman pllc
CPAs & Advisors

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 its major federal program for the year ended May 31, 2012. E. A. Hawse Health Center, Inc.'s major federal program is 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 program 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 its major federal program for the year ended May 31, 2012.

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 2012-1 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.

Arnett Foster Toothman PLLC

Bridgeport, West Virginia
February 06, 2013

DHHR - Finance

FEB 25 2013

[Signature]

E. A. HAWSE HEALTH CENTER, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 May 31, 2012

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unqualified Opinion

Internal control over financial reporting:

Material weakness(es) identified?	<u> X </u>	Yes	<u> </u>	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u> </u>	Yes	<u> X </u>	None Reported

Noncompliance material to financial statements noted?

	<u> </u>	Yes	<u> X </u>	No
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Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<u> X </u>	Yes	<u> </u>	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u> </u>	Yes	<u> X </u>	None Reported

Type of auditors’ report issued on compliance for major programs: Unqualified Opinion

Any audit findings disclosed that are required to be reported in accordance with Section 510 (a) of Circular A-133?

	<u> X </u>	Yes	<u> </u>	No
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Identification of Major Programs:

CFDA Numbers	Name of Federal Program
93.224	Community Health Centers Program
93.527	Affordable Care Act - Grants for New and Expanded Services Under the Health Center Program

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

Auditee qualified as low-risk auditee?

	<u> </u>	Yes	<u> X </u>	No
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E. A. HAWSE HEALTH CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
May 31, 2012

Section II – Financial Statement Audit

2012-1 Reconciliation of Subsidiary Ledgers to General Ledger - Material Deficiency

Condition: The individual responsible for general ledger transactions developed a substance abuse problem during fiscal 2011 and was replaced. This situation resulted in the Organization's books and records being incorrect and un-reconciled for a significant portion of fiscal 2012. 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 an entity to withstand the temporary or permanent loss of an employee or position.

Effect: The Organization was not able to properly record transactions during fiscal 2012 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 reconcile all subsidiary books and records and agree them to the general ledger on a monthly basis in order to prevent future occurrences similar to this situation. Further, the books and records should be tested monthly to ensure that all transactions are being recorded correctly and timely in the accounting records.

Views of Responsible Officials and Planned Corrective Actions: The Center agrees that too much reliance was placed on this individual. Additionally, due to the back log, the Organization was unable to correct all of the errors prior to the fiscal 2012 year end. 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 is being remedied subsequent to fiscal 2012 year end with these changes.

Section III – Major Federal Awards Programs Audit

Department of Health & Human Services – Health Resources and Services Administration -
Community Health Centers Program (CFDA 93 224)

2012-1 Reconciliation of Subsidiary Ledgers to General Ledger – Material Deficiency

See above.

E. A. HAWSE HEALTH CENTER, INC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
May 31, 2012

Section V – Summary Schedule of Prior Audit Findings

2011-1 Separation of Duties

Condition: The individual responsible for general ledger transactions developed a substance abuse problem during fiscal 2011. 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.

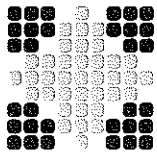
Criteria: The internal control structure of an organization is designed to allow for the proper processing and recording of transactions in the event one or more employees are unable to conduct their duties. Frequently, positions are cross trained in order to better enable an entity to withstand the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

Status of Corrective Action: 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.



arnett
foster
toothman^{pllc}
CPAs & Advisors

January 11, 2013

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, 2012, and have issued our report thereon dated January 11, 2013. 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 January 11, 2013.

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,

Arnett Foster Toothman, PLLC

Arnett Foster Toothman PLLC

Bridgeport, West Virginia

DHHR - Finance

FEB 25 2013

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Client: **EAHA1KA - E.A. Hawse Health Center, Inc.**
 Engagement: **2012 - E. A. Hawse Health Center, Inc.**
 Period Ending: **5/31/2012**
 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		1.02		
To record depreciation expense for 2nd half of the year				
1900-000	ACCUM DEPR BUILDING		3,265 81	
5500-010	DEPREC 2004 BUILDING		17,960 00	
5500-011	DEPREC 2007 BUILDING		17,910 17	
5500-020	DEPREC PHARMACY		14 526 43	
5510-000	DEPREC-DENTAL EQUIP		23 782 87	
5520-000	DEPREC-MEDICAL EQUIPMENT		11,869 61	
5540-000	DEPREC-OFFICE EQUIPMENT		12,441 39	
5545-000	DEPREC-SOFTWARE		4,274 02	
5550-000	DEPREC-OTHER ASSETS		2,448 28	
1900-010	ACCUM DEPR 2004 BLDG			17,960 00
1900-011	ACCUM DEPR 2007 BLDG			17,910 17
1901-000	ACCUM DEPR MEDICAL EQUIP			11,869 61
1902-000	ACCUM DEPR DENTAL EQUIP			23,782 87
1903-000	ACCUM DEPR OFFICE EQUIP			12,441 39
1904-000	ACCUM DEPR SCH.HLTH.EQUIP			
1905-000	ACCUM DEPR MENT HLTH EQUIP			
1906-000	ACCUM DEPR VEHICLES			
1907-000	ACCUM DEPR OTHER ASSETS			2,448 28
1910-000	ACCUM DEPR PHARMACY			14,526 43
1913-000	ACCUM DEPR SOFTWARE			4,274 02
5500-000	DEPREC-BUILDING			3,265 81
5560-300	DEPREC-SCHOOL HLTH EQUIP			
Total			108,478.58	108,478.58
Adjusting Journal Entries JE # 2		1.02		
To expense incorrect additions to medical equipment and 2007 building additions				
5590-100	EQUIPMENT MINOR: MED-B		2,595 56	
1800-011	2007 ADDITION/BLDG			1 389 96
1801-000	MEDICAL EQUIPMENT			1,205.60
Total			2,595.56	2,595.56
Adjusting Journal Entries JE # 3		1.02		
To capitalize office furniture and reverse expense				
1803-000	OFFICE EQUIPMENT		5 874 30	
6100-000	MISCELLANEOUS EXPENSE			5,874.30
Total			5,874.30	5,874.30
Adjusting Journal Entries JE # 4		J 02		
To correct prepaid expense account. Check written on 5/22 for June Expenses. Incorrectly expensed				
1100-000	PRE-PAID EXPENSE		23,867 24	
5720-000	INS-MAJOR MEDICAL			23,867.24
Total			23,867.24	23,867.24
Adjusting Journal Entries JE # 5		2a.06		
Reclassify Maintenance expense to rent expense				
6520-400	RENTAL:MISC-LEASE-PETERSBURG		4,468 30	
5900-400	MAINT/REP-EQUIPMENT:MED-P-BURG			4,468.30
Total			4,468.30	4,468.30
Adjusting Journal Entries JE # 6		GL		

Client: **EAHA1KA - E.A. Hawse Health Center, Inc.**
 Engagement: **2012 - E. A. Hawse Health Center, Inc.**
 Period Ending: **5/31/2012**
 Trial Balance: **2a.01 - Trial Balance Database**
 Workpaper: **2a.02 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
TO ADJUST DOUBLE POSTING OF SUTA J009222 AND JE009221				
1000-000	CV CHECKING		10,848.41	
6310-000	PR TAX-STATE UNEMPLOYMENT			10,848.41
Total			10,848.41	10,848.41
Adjusting Journal Entries JE # 7				
to adjust workers comp payable				
2111-000	WORKERS COMP PAYABLE	gl	17,455.38	
6320-000	PR TAX-WORKERS COMP			17,455.38
Total			17,455.38	17,455.38
Adjusting Journal Entries JE # 8				
to adjust cash				
1000-000	CV CHECKING		3,931,622.20	
1001-000	OPERATIONAL RESERVE		51,909.60	
1002-000	PHARMACY		397,153.56	
1003-000	RESERVE EXPANSION-SBVB		8,000.00	
1004-000	STATE FUNDS		99,983.17	
1006-000	TRANS-VISTA DIRECT DEPOSIT		378,592.22	
1008-000	SUMMIT RESERVE		62,833.56	
1015-000	STAFF FUND		638.25	
1300-130	RESERVE FOR BAD DEBT:PHAR		44,247.71	
2017-000	CVB-LINE OF CREDIT		163,323.06	
4205-130	PHARMACY INCOME		1,461,896.78	
4211-018	ADJ-PROFESSIONAL COURTESY		69,108.00	
4211-022	ADJ-SELF PAY		710,092.00	
1011-000	CREDIT CARD ACCOUNT			99,557.49
1200-000	ACCOUNTS RECEIVABLE			1,762,446.82
1200-130	ACCOUNTS RECEIVABLE PHARMACY			2,137,107.49
2000-000	ACCOUNTS PAYABLE			2,290,641.08
2001-000	REFUNDS PAYABLE			52,139.27
2100-000	FEDERAL INCOME TAX W/H			206,032.63
2104-000	WV STATE INCOME TAX W/H			27,321.77
2105-000	WV SUTA			3,631.00
4211-000	ADJ-PRIVATE INSURANCE			42,149.64
5720-000	INS-MAJOR MEDICAL			538,122.00
5805-000	LINE OF CREDIT			192,342.02
6300-000	PR TAX-EMPLOYERS FICA			3,487.18
6310-000	PR TAX-STATE UNEMPLOYMENT			6,016.57
6420-000	PR-SALARIES			18,405.15
Total			7,379,400.11	7,379,400.11
Adjusting Journal Entries JE # 9				
to adjust petty cash				
6800-401	SUPPLIES		7,501.00	
1012-000	FRONT DESK KITTY			369.59
1013-000	PETTY CASH			7,024.12
1013-500	PETTY CASH:MED-M'FLD			107.29
Total			7,501.00	7,501.00
Adjusting Journal Entries JE # 10				
To adjust inventory to physical counts				
		c.02		

Client: **EAHA1KA - E.A. Hawse Health Center, Inc.**
 Engagement: **2012 - E. A. Hawse Health Center, Inc.**
 Period Ending: **5/31/2012**
 Trial Balance: **2a.01 - Trial Balance Database**
 Workpaper: **2a.02 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
1500-230	INVENTORY - PHARMACY		17,180.48	
1500-240	INVENTORY:PHY-W		6,225.32	
6800-480	SUPPLIES:OFFICE-P		13,431.10	
6801-501	SUPPLIES, MEDICAL: M:PHARM-M'FL		1,738.78	
1500-000	INVENTORY			7,964.10
1500-210	INVENTORY:DENTAL/P-BURG			13,431.10
6801-230	SUPPLIES, MEDICAL: M:PHY-B			17,180.48
Total			38,575.68	38,575.68
Adjusting Journal Entries JE # 11				
to adjust value of highland bankshares hbsi				
		j.03		
4314-000	GAIN/LOSS ON INVESTMENTS		723.00	
1050-000	HIGHLAND BANKCORP			723.00
Total			723.00	723.00
Adjusting Journal Entries JE # 12				
to write off uncollected items from grant memoerial and PAAS				
		J.04		
9600-000	BAD DEBT EXPENSE		73,176.86	
1200-100	MISC/OTHER RECEIVABLES			73,176.86
Total			73,176.86	73,176.86
Adjusting Journal Entries JE # 13				
to record out of periods				
		L.04		
2000-000	ACCOUNTS PAYABLE		4,500.00	
5120-000	COMMUN-TELEPHONE		3,870.69	
5220-130	CONSULTANTS-OTHER: PHARMACY		1,755.00	
6420-100	PR-SALARIES: MED-B		483.29	
6520-500	RENTAL:MISC-LEASE:MED-M'FLD		3,939.58	
6800-000	SUPPLIES		969.69	
6800-000	SUPPLIES		996.88	
6800-000	SUPPLIES		5,030.60	
6800-100	SUPPLIES: MED-B		392.57	
6800-100	SUPPLIES: MED-B		6,194.36	
7010-000	UTIL-ELECTRIC		2,952.11	
2000-000	ACCOUNTS PAYABLE			31,084.77
Total			31,084.77	31,084.77
Adjusting Journal Entries JE # 14				
to adjust allowance				
		B.2		
1300-000	RESERVE FOR BAD DEBTS		99,800.00	
4211-000	ADJ-PRIVATE INSURANCE			99,800.00
Total			99,800.00	99,800.00
Adjusting Journal Entries JE # 15				
to adjust withholdings				
		wtb		
2101-000	FICA W/H		670,302.34	
5720-000	INS-MAJOR MEDICAL		220,964.45	
2100-000	FEDERAL INCOME TAX W/H			670,302.34
2109-000	INSURANCE W/H			220,964.45
Total			891,266.79	891,266.79
Adjusting Journal Entries JE # 16				
		M.03		

Client: **EAHA1KA - E.A. Hawse Health Center, Inc.**
 Engagement: **2012 - E. A. Hawse Health Center, Inc.**
 Period Ending: **5/31/2012**
 Trial Balance: **2a.01 - Trial Balance Database**
 Workpaper: **2a.02 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
to record rent				
2660-000	NURSING HOME LAND LEASE		400 00	
4403-000	RENT-MISCELLANEOUS			400.00
Total			400.00	400.00
Adjusting Journal Entries JE # 17				
to adjsut temp restricted net assets				
		Q.02		
1205-000	GRANT RECEIVABLE		96,035 33	
3200-000	TEMP REST GRANTS:ADM		169 00	
4211-000	ADJ-PRIVATE INSURANCE			96,204.33
Total			96,204.33	96,204.33
Adjusting Journal Entries JE # 18				
to adjust state and federal grant				
		S1.04		
4211-000	ADJ-PRIVATE INSURANCE		255,141 00	
4000-000	FEDERAL OPERATIONAL GRANT			59 870 00
4000-020	FEDERAL CIP			66,275 00
4100-000	WV STATE GRANT			128,996.00
Total			255,141.00	255,141.00
Adjusting Journal Entries JE # 19				
TO ADJUST LOANS TO BANK BALANCES				
		K'S		
2600-000	N/P - MISCELLANEOUS		77 638 71	
2650-000	MORTGAGE-2004 BLDG			4,037 33
2651-000	MORTGAGE-2007 BLDG			6,875 87
2652-000	MORTGAGE-PHARMACY			10,883 50
5805-000	LINE OF CREDIT			55,842.01
Total			77,638.71	77,638.71
Adjusting Journal Entries JE # 20				
TO ADJUST LEASE				
		k.04		
2500-000	N/P - GIM		1,210 32	
5800-000	INTEREST EXPENSE			1,210.32
Total			1,210.32	1,210.32
Adjusting Journal Entries JE # 21				
TO ADJUST ACCRUED PAYROLL				
		m.01		
2402-000	ACCRUED SALARIES		3,044 80	
6300-000	PR TAX-EMPLOYERS FICA		7,636 32	
2402-000	ACCRUED SALARIES			7 636 32
6420-000	PR-SALARIES			3,044.80
Total			10,681.12	10,681.12
Adjusting Journal Entries JE # 22				
to adjust equity				
		Q.02		
4211-000	ADJ-PRIVATE INSURANCE		96,374 17	
3000-000	RETAINED EARNINGS			96,374.17
Total			96,374.17	96,374.17
Adjusting Journal Entries JE # 23				
to adjust equity				
		q.02		

Client: **EAHA1KA - E. A. Hawse Health Center, Inc.**
 Engagement: **2012 - E. A. Hawse Health Center, Inc.**
 Period Ending: **5/31/2012**
 Trial Balance: **2a.01 - Trial Balance Database**
 Workpaper: **2a.02 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
To reclass grant from py				
3300-000	NET ASSETS RELEASED FROM		28,816.67	
4103-000	SISTERS OF ST JOSEPH			28,816.67
Total			28,816.67	28,816.67
Adjusting Journal Entries JE # 24				
to adjust accrued vacation				
		M.03		
2400-000	ACCRUED ANNUAL LEAVE		10,458.84	
6300-000	PR TAX-EMPLOYERS FICA			7,636.32
6420-000	PR-SALARIES			2,822.52
Total			10,458.84	10,458.84
Adjusting Journal Entries JE # 25				
to adjust cost report settlements due				
		b.05		
4211-007	ADJ-FQHA MC WRITE UP/DOWN		6,400.00	
1200-200	COST REPORT SETTLEMENTS			6,400.00
Total			6,400.00	6,400.00
Adjusting Journal Entries JE # 26				
to reclass donated drugs to client estimat				
		GJ spreadsheet		
4502-000	DONATED PHARMACEUTICALS		587,647.00	
6802-000	DONATED PHARMACEUTICALS			587,647.00
Total			587,647.00	587,647.00
Adjusting Journal Entries JE # 27				
to reclass bad debt				
		gl		
4211-000	ADJ-PRIVATE INSURANCE		102,791.16	
9600-000	BAD DEBT EXPENSE		15,391.00	
4600-000	MISCELLANEOUS INCOME			111,097.16
9500-000	RECOVERY OF BAD DEBTS			7,085.00
Total			118,182.16	118,182.16
Adjusting Journal Entries JE # 28				
to close various accounts				
		gl		
4211-005	ADJ-CREDIT		164,766.88	
4211-000	ADJ-PRIVATE INSURANCE			164,766.88
Total			164,766.88	164,766.88