

NORTHERN GREENBRIER HEALTH CLINIC, INC.

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

MAY 31, 2010



## C O N T E N T S

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES OF FEDERAL AND STATE AWARDS	I
FINANCIAL STATEMENTS	
Balance Sheets	1 of 9
Statements of Operations and Changes in Net Assets	2 of 9
Statements of Cash Flows	3 of 9
Notes to Financial Statements	4-9 of 9
 Schedule of Expenditures of State Awards	 1 of 1
 Schedule of Expenditures of Federal Awards	 1 of 1
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	II
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	III
 Schedule of Findings and Questioned Costs	 1-2 of 2

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

The Board of Directors  
Northern Greenbrier Health Clinic, Inc.  
Williamsburg, West Virginia

We have audited the accompanying balance sheet of Northern Greenbrier Health Clinic, Inc. as of May 31, 2010, and the related statements of operations and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Northern Greenbrier Health Clinic, Inc. as of May 31, 2009, were audited by other auditors whose report dated August 18, 2009, expressed an unqualified opinion on those statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northern Greenbrier Health Clinic, Inc. as of May 31, 2010, 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 October 20, 2010, on our consideration of Northern Greenbrier Health Clinic, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Our audit was conducted for the purpose of forming an opinion on the 2010 financial statements 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 State, Local Governments, and Non-Profit Organizations*, and the State of West Virginia, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 2010 financial statements as a whole.

*Toothman Rice, P.C.*

Bridgeport, West Virginia  
October 20, 2010

NORTHERN GREENBRIER HEALTH CLINIC, INC.

BALANCE SHEETS  
May 31, 2010 and 2009

	2010	2009
<b>ASSETS</b>		
Cash and equivalents	\$ 181,880	\$ 182,192
Accounts receivable, net	131,101	111,517
Grant receivable from federal government	140,822	-
Cost report settlement	17,000	10,000
Inventories	45,349	26,212
Prepaid assets	<u>2,800</u>	<u>11,272</u>
Total current assets	<u>518,952</u>	<u>341,193</u>
<b>PROPERTY AND EQUIPMENT, at cost</b>		
Building	1,159,148	1,159,148
Equipment	<u>297,188</u>	<u>297,188</u>
	1,456,336	1,456,336
Less accumulated depreciation	<u>839,537</u>	<u>779,757</u>
	<u>616,799</u>	<u>676,579</u>
Total assets	<u>\$ 1,135,751</u>	<u>\$ 1,017,772</u>
<b>LIABILITIES AND NET ASSETS</b>		
Notes payable, current portion	\$ 36,435	\$ 34,424
Accounts payable	13,384	10,900
Accrued salaries and benefits	53,992	55,093
Deferred revenue	<u>5,282</u>	<u>5,587</u>
Total current liabilities	109,093	106,004
Notes payable, noncurrent portion	<u>329,871</u>	<u>366,567</u>
Total liabilities	<u>438,964</u>	<u>472,571</u>
<b>NET ASSETS</b>		
Temporarily restricted	140,822	-
Unrestricted	<u>555,965</u>	<u>545,201</u>
	<u>696,787</u>	<u>545,201</u>
Total liabilities and net assets	<u>\$ 1,135,751</u>	<u>\$ 1,017,772</u>

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

NORTHERN GREENBRIER HEALTH CLINIC, INC.

STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS  
For the Years Ended May 31, 2010 and 2009

	2010	2009
CHANGE IN UNRESTRICTED NET ASSETS:		
Revenue		
Patient service revenues, net	\$ 933,342	\$ 1,002,001
Interest	1,092	556
Other	13,744	8,486
	<u>948,178</u>	<u>1,011,043</u>
Expenses		
Salaries	904,998	934,154
Employee benefits	179,450	181,136
Depreciation and amortization	59,780	66,948
Interest	17,893	22,980
Pharmacy	84,897	121,969
Supplies	62,675	77,326
Repairs and maintenance	91,238	53,963
Facility	64,750	62,223
Contract services	79,033	70,889
Telephone	18,526	19,058
Public relations and advertising	11,738	8,066
Other	63,658	57,652
Total expenses	<u>1,638,636</u>	<u>1,676,364</u>
(Loss) from operations	<u>(690,458)</u>	<u>(665,321)</u>
Federal funding through HRSA	499,569	421,127
State uncompensated care funding	117,817	132,285
Other grants	83,836	124,413
Total grant income	<u>701,222</u>	<u>677,825</u>
CHANGE IN UNRESTRICTED NET ASSETS	<u>10,764</u>	<u>12,504</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS:		
IDS grant	<u>140,822</u>	<u>-</u>
CHANGE IN NET ASSETS	151,586	12,504
Net assets at beginning of year	<u>545,201</u>	<u>532,697</u>
NET ASSETS AT END OF YEAR	<u>\$ 696,787</u>	<u>\$ 545,201</u>

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



NORTHERN GREENBRIER HEALTH CLINIC, INC.

STATEMENTS OF CASH FLOWS  
For the Years Ended May 31, 2010 and 2009

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 151,586	\$ 12,504
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	59,780	66,948
Loss on disposal of assets	-	569
(Increase) decrease in accounts receivable	(26,584)	71,971
(Increase) decrease in grants receivable	(140,822)	28,430
(Increase) in inventory	(19,137)	(6,786)
Decrease (increase) in prepaid assets	8,472	(9,272)
Increase (decrease) in accounts payable	2,484	(20,534)
(Decrease) increase in accrued expenses	(1,101)	6,562
(Decrease) in deferred revenue	(305)	(1,448)
Net cash provided by operating activities	<u>34,373</u>	<u>148,944</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from line of credit	-	20,000
Payments on debt	<u>(34,685)</u>	<u>(80,057)</u>
Net cash (used in) financing activities	<u>(34,685)</u>	<u>(60,057)</u>
Net (decrease) increase in cash	(312)	88,887
<b>Cash</b>		
Beginning	<u>182,192</u>	<u>93,305</u>
Ending	<u>\$ 181,880</u>	<u>\$ 182,192</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest	<u>\$ 17,893</u>	<u>\$ 22,980</u>

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



## NOTES TO FINANCIAL STATEMENTS

---

### NOTE 1. NATURE OF OPERATIONS

Northern Greenbrier Health Clinic, Inc. (the Company) is a nonprofit West Virginia corporation established for the purpose of providing primary care services to the residents of Williamsburg and Hillsboro, West Virginia and the surrounding areas.

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Basis of Financial Reporting*

These financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, whereby revenues are recognized when earned rather than when received and expenses are recognized when incurred rather than when paid.

#### *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.

#### *Fair Value of Financial Instruments*

The fair value of cash, receivables, accounts payable and accrued expenses approximates their carrying values due to the short-term maturities of these financial instruments.

#### *Accounts Receivable, net*

Accounts receivable are unsecured and represent the estimated net realizable amounts from patients, third party payers and others for services rendered. The Company 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. Specific balances are written off at the time that they are determined to be uncollectible. Delinquent accounts are determined on a case-by-case basis. Accounts receivable are reported net of allowance for uncollectible accounts and estimated adjustments of \$53,900 and \$56,500 at May 31, 2010 and 2009, respectively.

#### *Charity Care*

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



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

---

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *Inventory*

Pharmacy inventory is valued at cost (first-in, first-out method), which approximates market.

#### *Fixed Assets*

Fixed assets are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the related assets, using the American Hospital Association (AHA) lives. Normal repairs and maintenance are expensed as incurred; significant improvements which materially increase values or extend useful lives are capitalized and depreciated over the estimated useful lives of the related assets. 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.

#### *Donor Restrictions*

The Company 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 in the statement of operations as net assets released from restrictions. When long-lived assets are placed in service, thus satisfying purpose restrictions, the amount is included as a change in net assets, restricted and unrestricted. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying financial statements. The Company reports gifts of equipment (or other long-lived assets) as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. The Company had no permanently restricted net assets as of May 31, 2010 and 2009. The Company has a temporarily restricted federal government grant receivable of \$140,822 which had not been billed as of May 31, 2010, and is expected to be earned in future fiscal years. These funds are to be used to increase the Company's health care services.

#### *Income Taxes*

The Company 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 Company 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 Company had no unrelated business income during the years ended May 31, 2010 and 2009.



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

---

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *Economic Dependency and Geographic Concentration*

The Company generates a substantial portion of its patient service revenue from services to Medicaid and Medicare beneficiaries. Changes in payment rates or methodologies by those programs could, therefore, significantly impact operations. Patient service revenue is primarily limited to services provided to residents in the Williamsburg and Hillsboro, West Virginia areas. General economic conditions in these areas significantly influence the Company's ability to collect fees for services rendered. The Company also receives significant funding from federal and state grants, and discontinuation of support from these sources would significantly impact operations.

#### *Interest and Advertising Costs*

All interest and advertising costs have been expensed. Advertising costs were \$7,318 and \$5,369 for the years ended May 31, 2010 and 2009, respectively

#### *Net Patient Service Revenue*

The Company reports revenue at the estimated net realizable amounts from patients and third-party payers. Revenues are based on the encounters performed and medical services provided. These revenues are based, in part, on cost reimbursement principles and subject to audit and retroactive adjustment by the respective third-party fiscal intermediaries. In the opinion of management, retroactive adjustments, if any, would not be material to the financial position or results of operations of the Company. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Company believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrong doing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future review and interpretation. The results of such governmental review could include fines, penalties and exclusion from the Medicare and Medicaid programs.

#### *Compensation for Accrued Absences*

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

### NOTE 3. CASH BALANCES IN EXCESS OF FDIC LIMITS

The Company maintains accounts in local banks. The Federal Deposit Insurance Corporation (FDIC) insures a maximum of \$250,000 per depositor. Differences between book and bank balances exist due to deposits in transit, outstanding checks and other reconciling items. The Company balances may exceed this limit from time to time; however, management believes the credit risk related to the cash balances in excess of insurance is minimal.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

---

**NOTE 4. COMPENSATED ABSENCES**

A liability for compensated absences earned but not paid as of May 31, 2010 and 2009 has been recognized and is included in the current liability section of the balance sheet. As of May 31, 2010 and 2009, respectively, \$27,514 and \$33,440 remained unpaid.

**NOTE 5. PENSION PLAN**

The Company has established a 401(k) retirement plan. Under the plan the Company matches up to 4% of employee retirement account contributions. As of May 31, 2010 and 2009, there was no outstanding amount for pension liability. In fiscal years 2010 and 2009, the Company paid \$22,791 and \$25,998, respectively, for pension costs; these costs are included in the caption employee benefits on the statements of operations and changes in net assets.

**NOTE 6. LONG-TERM DEBT**

Long-term notes payable at May 31, 2010 and 2009, consist of the following:

	2010	2009
First National Bank, due in monthly installments of \$4,274, including interest at 4.25%, maturing April 2021, secured by real estate.	\$366,306	\$400,991
Less current maturities	<u>36,435</u>	<u>34,424</u>
	<u>\$329,871</u>	<u>\$366,567</u>

Future maturities as of May 31, 2010, are as follows:

2011	\$ 36,435
2012	38,014
2013	39,662
2014	41,381
2015	43,174
Thereafter	<u>167,640</u>
	<u>\$366,306</u>

**NOTE 7. LINE OF CREDIT**

The Company has a 3.25% \$50,000 line of credit. There were no outstanding borrowings on this line as of May 31, 2010 and 2009.



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE 8. MALPRACTICE INSURANCE

The Company's employees are deemed employees of the federal government for the purposes of malpractice liability protection under the Federal Tort Claims Act.

### NOTE 9. CLASSIFICATION OF EXPENSES

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

	<u>2010</u>	<u>2009</u>
General and administrative	\$ 366,188	\$ 408,115
Clinic operations	1,272,448	1,268,249
	<u>\$ 1,638,636</u>	<u>\$ 1,676,364</u>

### NOTE 10. OPERATING LEASES

The Company has entered into operating lease agreements for the building and land for the Hillsboro, West Virginia location with two of the physicians employed by the Company. The leases total \$2,954 per month and have an initial term of three years, through May 31, 2010. The leases are automatically renewable for two successive periods of three years each unless terminated by the Company. The Company recognized rent expense of \$35,448 and \$35,448 for the years ended May 31, 2010 and 2009. As of June 1, 2010, the leases have been modified and require payments of \$1,000 per month for one year. The minimum future payments under these leases are \$12,000 through May 31, 2011.

### NOTE 11. SUBSEQUENT EVENTS

Accounting Standards Codification Topic 855, defines further disclosure requirements for events that occur after the balance sheet date but before financial statements are issued. The standard is effective for the Company beginning with the fiscal year ended May 31, 2010. The Company's management has evaluated events subsequent from May 31, 2010 through October 20, 2010, 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 Company's results going forward.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

---

### **NOTE 12. NEW ACCOUNTING PRONOUNCEMENT**

Accounting Standards Codification Topic 740-10 prescribes a recognition threshold and measurement attribute for a tax position taken or expected to be taken in a tax return where there is uncertainty about whether a tax position will ultimately be sustained upon examination. On June 1, 2009, the Company adopted the recognition and disclosure provisions of the standard. The adoption of this standard did not have an effect on the Company's financial position or changes in net assets. The Company does not believe its financial statements include (or reflect) any uncertain tax positions. The Company's federal Return of Organizations Exempt from Income Taxes for tax years 2007, 2008 and 2009 remain subject to examination by the Internal Revenue Service.

NORTHERN GREENBRIER HEALTH CLINIC, INC.  
 SCHEDULE OF EXPENDITURES OF STATE AWARDS  
 For the Year Ended May 31, 2010

Program Title

**West Virginia Department  
 of Health and Human  
 Resources**

	<u>Grant Number</u>	Prior Year <u>Deferred Revenue</u>	<u>Award Amount</u>	<u>Expenditures</u>	<u>Receipts</u>	Receivable (Deferred Revenue)
Bureau for Public Health Uncompensated Care	G 100090	\$ -	\$ 109,817	\$ 109,817	\$ 109,817	\$ -
Mortgage Assistance	G 100123	-	8,000	8,000	8,000	-
Total Expenditures		<u>\$ -</u>	<u>\$ 117,817</u>	<u>\$ 117,817</u>	<u>\$ 117,817</u>	<u>\$ -</u>

Note A – Basis of Presentation

The schedule of expenditures of state awards includes the state grant activity 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 amounts presented in, or used in the preparation of, the basic financial statements.

Note B – Grant Receivable or Deferred Revenue

The above schedule of awards is intended to show grant receivable or deferred revenue amounts as of May 31, 2010. The Company may have received additional funds or earned additional revenues prior to June 30, the fiscal year end of the State.



NORTHERN GREENBRIER HEALTH CLINIC, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended May 31, 2010

Program Title

**Pass Through Funding From  
Department of Health and  
Human Services through  
West Virginia Department  
of Health and Human  
Resources**

	CFDA & Passthrough Number	Prior Year (Deferred Revenue)	Award Amount	Expenditures	Receivable (Deferred Revenue)
Preventive Health Block -2010	93.991 G 100559	\$ -	\$ 84,709	\$ 58,249	\$ (5,282)
Preventive Health Block-2009	93.991 G 090557	-	80,000	25,587	-
		-	164,709	83,836	(5,282)
<b>HRSA</b>					
330 Funding	93.224	-	444,742	444,742	-
ARRA - Capital Improvement Program	93.703	-	356,743	54,827	-
ARRA - Increased Demand for Services	93.703	-	140,822	-	140,822
		-	942,307	499,569	140,822
Total Expenditures		\$ -	\$ 1,107,016	\$ 583,405	\$ 135,540

Note A – Basis of Presentation

The schedule of expenditures of federal awards includes the state grant activity 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 amounts presented in, or used in the preparation of, the basic financial statements.



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

To the Board of Directors  
Northern Greenbrier Health Clinic, Inc.  
Williamsburg, West Virginia

We have audited the financial statements of Northern Greenbrier Health Clinic, Inc. (a nonprofit organization) as of and for the year ended May 31, 2010, and have issued our report thereon dated October 20, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Northern Greenbrier Health Clinic, 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 Northern Greenbrier Health Clinic, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northern Greenbrier Health Clinic, 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*.

We noted certain other matters that we reported to management of Northern Greenbrier Health Clinic, Inc. in a separate letter dated October 20, 2010.

This report is intended solely for the information and use of the audit committee, 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, P.C.*

Bridgeport, West Virginia  
October 20, 2010



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  
Northern Greenbrier Health Clinic, Inc.  
Williamsburg, West Virginia

Compliance

We have audited Northern Greenbrier Health Clinic, Inc.'s compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Northern Greenbrier Health Clinic, Inc.'s major federal programs for the year ended May 31, 2010. Northern Greenbrier Health Clinic, 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 each of its major federal programs is the responsibility of the Northern Greenbrier Health Clinic, Inc.'s management. Our responsibility is to express an opinion on Northern Greenbrier Health Clinic, 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 Northern Greenbrier Health Clinic, 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 Northern Greenbrier Health Clinic, Inc.'s compliance with those requirements.

In our opinion, Northern Greenbrier Health Clinic, 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, 2010.

## Internal Control Over Compliance

The management of Northern Greenbrier Health Clinic, 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 Northern Greenbrier Health Clinic, 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 Northern Greenbrier Health Clinic, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of significant deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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, P.C.*

Bridgeport, West Virginia  
October 20, 2010



NORTHERN GREENBRIER HEALTH CLINIC, INC.  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 May 31, 2010

---

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified opinion

Internal control of financial reporting:  
 Material weakness(es) identified?  Yes  No

Significant deficiencies identified  
 that are not considered to be  
 material weakness(es)?  Yes  None  
Reported

Noncompliance material to financial  
 Statements noted?  Yes  No

Federal Awards

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

Internal control of financial reporting:  
 Material weakness(es) identified?  Yes  No

Significant deficiencies identified  
 that are not considered to be  
 material weakness(es)?  Yes  None  
Reported

Any audit findings disclosed that are  
 required to be reported in accordance  
 with Section 510 (a) of Circular A-133?  Yes  No

Identification of Major Programs:

<u>Name of Program</u>	<u>CFDA #</u>	<u>Expenditures</u>
Health Centers Program	93.224	\$ 444,742
ARRA – Capital Improvement Program	93.703	\$ 54,827
ARRA – Increased Demand for Services	93.703	\$ 0

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

Auditee qualified as low-risk auditee?  Yes  No

NORTHERN GREENBRIER HEALTH CLINIC, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
May 31, 2010

---

Section II – Financial Statement Findings and Questioned Costs

There were no findings or questioned costs relating to federal and state award programs.

Section III – Federal Award Findings and Questioned Costs

There were no findings or questioned costs relating to federal and state award programs.

Section IV – Corrective Action Plan

None needed.

Section V – Summary of Prior Audit Findings

No prior year findings.

To the Board of Directors  
Northern Greenbrier Health Clinic, Inc.  
Williamsburg, WV

In planning and performing our audit of the financial statements of Northern Greenbrier Health Clinic, Inc. as of and for the year ended May 31, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered Northern Greenbrier Health Clinic, Inc.'s internal control over financial reporting (internal control) 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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

This communication is intended solely for the information and use of management, board of directors, HRSA and the West Virginia Division of Primary Care and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Toothman Rice, PLLC

*Toothman Rice, P.C.C.*

Bridgeport, West Virginia

October 20, 2010



October 20, 2010

To the Board of Directors  
Northern Greenbrier Health Clinic, Inc.  
Williamsburg, West Virginia

We have audited the financial statements of Northern Greenbrier Health Clinic, Inc. for the year ended May 31, 2010, and have issued our report thereon dated October 20, 2010. 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 June 18, 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 Northern Greenbrier Health Clinic, Inc. are described in Note 1 to the financial statements. As described in Notes 2, 12 and 13, the Organization Company adopted several accounting policies during 2010.

The first change in accounting policies related to reporting of the income tax positions which might be considered uncertain in standing upon examination by taxing authorities. The Standard "Accounting for Uncertainty in Income Taxes", Accounting Standards Codification (ASC) Topic 740-10, was adopted during 2009. This additional disclosure in Note 2 we believe has no significant impact to the Organizations financial reporting.

In addition, Note 13 is a new disclosure required by ASC 855 regarding management's evaluation of significant events occurring after the end of the reporting period, but before the financial statements are issued. There no significant events affecting disclosure for the year ended May 31, 2010.

We noted no transactions entered into by the Company 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(s) affecting the financial statements were:

The disclosure of net patient service revenue in Note 2 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. 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 October 20, 2010.

*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 Northern Greenbrier Health Clinic, 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, P.C.*

Bridgeport, West Virginia