

Hawse Health Center

"Making A Difference"

March 16, 2010

WV DHHR
Office of Accountability & Mgmt. Reporting
Division of Compliance and Monitoring
Capitol Complex, Building 3, Room 550
Charleston, WV 25305

Dear Sir,

Enclosed please find a copy of our audited financial statement for the fiscal year ended May 31st, 2009.

I am submitting these per the requirements of compliance. If you have any questions or if I can be of any assistance, please contact me at any time.

With kind regards,

Sincerely,

Gary T. Johnson
CEO

GTJ/blt

Enclosure

DHHR - Finance

MAR 18 2010

Date Received

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E.A. HAWSE HEALTH CENTER, INC.
SINGLE AUDIT REPORT
AS OF MAY 31, 2009 AND FOR THE YEAR THEN ENDED

DHHR - Finance

MAR 18 2010

Date Received

E A. HAWSE HEALTH CENTER, INC.

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**INDEPENDENT AUDITORS' REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL 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 nonprofit organization) as of May 31, 2009, and the related statements of activities 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 basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (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 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 E A Hawse Health Center, Inc as of May 31, 2009, 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 December 18, 2009, on our consideration of E A Hawse Health Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Huber, Michaels & Company

Cumberland, Maryland
December 18, 2009

E A HAWSE HEALTH CENTER, INC

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended May 31, 2009

Federal Grantor Pass-Through Grantor Program Title	Catalog of Federal Domestic Assistance Number	Expenditures
U S Department of Health and Human Services:		
Community Health Centers Program*	93 224	\$648,672
ARRA - Increase Services to Health Centers	93 703	\$14,837
TOTAL FEDERAL AWARDS		<u>\$663,509</u>

* Tested as a major program

See Notes to Schedule of Expenditures of Federal Awards

E.A. HAWSE HEALTH CENTER, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 - BASIS OF PRESENTATION

The schedule of expenditures of federal awards is prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

NOTE 2 - FISCAL PERIOD AUDITED

Single audit testing procedures were performed for program transactions occurring during the fiscal year ended May 31, 2009

NOTE 3 - FIXED ASSETS

Purchases of fixed assets from Federal awards are recorded as a Federal expenditure. This is not consistent with Generally Accepted Accounting Principles (GAAP)

(See Independent Auditors' Report on the Schedule of Expenditures of Federal Awards)

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATIERS 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, 2009, and have issued our report thereon dated December 18, 2009. 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 of 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 certain deficiencies in internal control over financial reporting that we consider to be a material weakness and significant deficiency.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a

material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as reference number 2009-1 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as reference numbers 2009-1 and 2009-2 to be significant deficiencies.

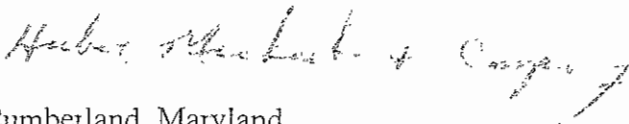
Compliance and Other Matters

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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2009-3.

We noted certain matters that we reported to management of E A Hawse Health Center, Inc. in a separate letter dated December 18, 2009.

E A Hawse Health Center, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit E A Hawse Health Center, Inc.'s response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Cumberland, Maryland
December 18, 2009

DHHR - Finance

MAR 18 2010

Date Received

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO 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 (a non-profit organization) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended May 31, 2009. E A Hawse Health Center, Inc's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of E A Hawse Health Center, Inc's management. Our responsibility is to express an opinion on E A Hawse Health Center, Inc's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about E A Hawse Health Center, Inc's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of E A Hawse Health Center, Inc's compliance with those requirements.

In our opinion, E A Hawse Health Center, Inc complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended May 31, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2009-3.

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 the 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 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, 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 internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A *control deficiency* in an entity's 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2009-1 to be a significant deficiency.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider item 2009-1 to be a material weakness.


Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of E A Hawse Health Center, Inc as of and for the year ended May 31, 2009, and have issued our report thereon dated December 18, 2009. Our audit was performed for the purpose of forming and opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic

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

E A Hawse Health Center, Inc.'s responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit E A Hawse Health Center Inc.'s response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Cumberland, Maryland
December 18, 2009

E.A. HAWSE HEALTH CENTER, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended May 31, 2009**

I SUMMARY OF AUDITORS' RESULTS

The Independent Auditors' Report on the financial statements of E A Hawse Health Center, Inc as of and for the year ended May 31, 2009 was an unqualified opinion

The audit of the financial statements disclosed two significant deficiencies in internal control, one which is considered to be a material weakness, and is reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* See 2009-1 and 2009-2

The audit disclosed one instance of noncompliance and is reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* See 2009-3

The Independent Auditors' Report on compliance with requirements applicable to each major federal program for the year ended May 31, 2009 was an unqualified opinion

One significant deficiency in internal control over major federal award programs was disclosed during the audit and reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 See 2009-1 This is also considered a material weakness

The audit disclosed one finding, which we are required to report under section 510(a) of OMB Circular A-133 regarding noncompliance See 2009-3

Community Health Centers Program, CFDA # 93 224, entitled "Health Center Cluster," was tested as a major program and all findings reported are in reference to this grant The grant number is 5H80CS00563-07-00

The threshold for distinguishing between Type A and Type B programs was \$300,000 expended for the year ended May 31, 2009

The Organization did not qualify as a low-risk auditee

E.A. HAWSE HEALTH CENTER, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended May 31, 2009

II FINDINGS AND QUESTIONED COSTS – FINANCIAL STATEMENT AUDIT

A Material Weakness in Internal Control

1 2009-1 Inadequate Design of Internal Control over Financial Reporting

Criteria: The Organization should have a system of internal controls adequately designed to prepare complete and accurate financial statement disclosures in accordance with generally accepted accounting principles

Condition: The Organization has not adequately assessed risk over the preparation of financial statement disclosures

Effect: Material financial statement disclosures could be inaccurate or omitted from the financial statements

Recommendation: We recommend the Organization design a system of internal controls that properly assess risk over the preparation of financial statement disclosures to ensure they are accurate and complete in accordance with generally accepted accounting principles

Response: E A Hawse Health Center has restructured its Finance Department and will enter into a contract with an independent accounting firm to provide assistance with accounting functions to include: consultation on routine questions regarding certain transactions and their proper entry; annual review and adjustments of transactions affecting the general ledger; preparation of our audit ready year end financial statements

B Significant Deficiency in Internal Control

2 2009-2 Inadequate Design of Internal Control over Payroll Activities

Criteria: The Organization should have a system of internal controls designed that has an adequate level of segregation of duties over the payroll functions

Condition: The Organization does not have proper segregation of duties in regards to proper accrual and payment of sick and vacation time

E.A. HAWSE HEALTH CENTER, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended May 31, 2009

B Significant Deficiency in Internal Control (Continued)

2 2009-2 Inadequate Design of Internal Control over Payroll Activities

Effect: The CFO of the Organization was able to adjust her vacation and sick time accruals and pay herself extra hours that she did not earn

Response: The Organization accepts the finding. The Organization discovered the fraud through an internal investigation and terminated the employee. Additional controls have been implemented to prevent unauthorized vacation and sick time accruals.

C Noncompliance with the Provisions of Grant Agreements Related to a Major Program

3 2009-3 Noncompliance Regarding Federal Poverty Guidelines

Criteria: The Health Center Cluster grant requires the Organization to base its sliding fee scale billings on Federal Poverty Guidelines.

Condition: The Organization did not update their sliding fee scale according to the 2009 Federal Poverty Guidelines. The Federal Poverty Guidelines are updated in January every year. The Organization continued to use its sliding fee scales based upon the 2008 rates through its year end.

Effect: The Organization could be billing its lower income clients more than permitted by the Health Center Clusters grant.

Recommendation: The Organization should closely monitor changes in Federal Poverty Guidelines and adjust its sliding fee scale accordingly.

E.A. HAWSE HEALTH CENTER, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended May 31, 2009

C Noncompliance with the Provisions of Grant Agreements Related to a Major Program (Continued)

3 2009-3 Noncompliance Regarding Federal Poverty Guidelines

Response: E A Hawse Health Center updates its sliding fee scale on an annual basis concurrent with their publication in Federal Register but typically in April each year. In 2009 our sliding fee scale was not updated with the new poverty levels until November due to phasing out our multi-level 2008 sliding fee scale which timed out in November 2009. In November 2008 (midyear), with the approval of E A Hawse Health Center Board of Directors, the 2008 sliding fee scale was updated using new minimums and income categories. Because the patient sliding fee applications could be approved for one year, it was decided to defer the poverty guideline update to November 2009 when all approved applications under the old methodology would be timed out.

HRSA Guidelines/Program Requirements under Section 330(k)(G) of the Public Health Services Act and regulations under 45 CFR, Part 51c 303(f), and the Catalog of Federal Domestic Assistance 93 244 do not require that a grantee update their sliding fee discount policy in January of each year. We therefore feel that this finding is unwarranted. Every year with the exception of 2009 our sliding fee scale has been updated in accordance with E A Hawse Health Center's policy. The reasoning behind this delay was the increased possibility for errors by staff in calculating patient payments with two separate methods in effect during the same time period. In 2010 the sliding fee scale policy update of the new poverty guidelines will occur on time in April.

E.A. HAWSE HEALTH CENTER, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended May 31, 2009

III FINDINGS AND QUESTIONED COSTS – MAJOR PROGRAM AUDIT

A Material Weakness in Internal Control

1 2009-1 Inadequate Design of Internal Control over Financial Reporting

Criteria: The Organization should have a system of internal controls adequately designed to prepare complete and accurate financial statement disclosures in accordance with generally accepted accounting principles

Condition: The Organization has not adequately assessed risk over the preparation of financial statement disclosures

Effect: Material financial statement disclosures could be inaccurate or omitted from the financial statements

Recommendation: We recommend the Organization design a system of internal controls that properly assess risk over the preparation of financial statement disclosures to ensure they are accurate and complete in accordance with generally accepted accounting principles

Response: E A Hawse Health Center has restructured its Finance Department and will enter into a contract with an independent accounting firm to provide assistance with accounting functions to include: consultation on routine questions regarding certain transactions and their proper entry; annual review and adjustments of transactions affecting the general ledger; preparation of our audit ready year end financial statements

B Noncompliance with the Provisions of Grant Agreements Related to a Major Program

2 2009-3 Noncompliance Regarding Federal Poverty Guidelines

Criteria: The Health Center Cluster grant requires the Organization to base its sliding fee scale billings on Federal Poverty Guidelines

E.A. HAWSE HEALTH CENTER, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended May 31, 2009

C Noncompliance with the Provisions of Grant Agreements Related to a Major Program (Continued)

2 2009-3 Noncompliance Regarding Federal Poverty Guidelines

Condition: The Organization did not update their sliding fee scale according to the 2009 Federal Poverty Guidelines. The Federal Poverty Guidelines are updated in January every year. The Organization continued to use its sliding fee scales based upon the 2008 rates through its year end.

Effect: The Organization could be billing its lower income clients more than permitted by the Health Center Clusters grant.

Recommendation: The Organization should closely monitor changes in Federal Poverty Guidelines and adjust its sliding fee scale accordingly.

Response: E A Hawse Health Center updates its sliding fee scale on an annual basis concurrent with their publication in Federal Register but typically in April each year. In 2009 our sliding fee scale was not updated with the new poverty levels until November due to phasing out our multi-level 2008 sliding fee scale which timed out in November 2009. In November 2008 (midyear), with the approval of E A Hawse Health Center Board of Directors, the 2008 sliding fee scale was updated using new minimums and income categories. Because the patient sliding fee applications could be approved for one year, it was decided to defer the poverty guideline update to November 2009 when all approved applications under the old methodology would be timed out.

HRSA Guidelines/Program Requirements under Section 330(k)(G) of the Public Health Services Act and regulations under 45 CFR, Part 51c 303(f), and the Catalog of Federal Domestic Assistance 93 244 do not require that a grantee update their sliding fee discount policy in January of each year. We therefore feel that this finding is unwarranted. Every year with the exception of 2009 our sliding fee scale has been updated in accordance with E A Hawse Health Center's policy. The reasoning behind this delay was the increased possibility for errors by staff in calculating patient payments with two separate methods in effect during the same time period. In 2010 the sliding fee scale policy update of the new poverty guidelines will occur on time in April.

E. A. HAWSE HEALTH CENTER, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended May 31, 2009

Material Weakness in Internal Control

1 2008-1 Inadequate Design of Internal Control over Financial Reporting

Criteria: The Organization should have a system of internal controls adequately designed to prepare complete and accurate financial statement disclosures in accordance with generally accepted accounting principles

Condition: The Organization has not adequately assessed risk over the preparation of financial statement disclosures

Effect: Material financial statement disclosures could be inaccurate or omitted from the financial statements

Recommendation: We recommend the Organization design a system of internal controls that properly assess risk over the preparation of financial statement disclosures to ensure they are accurate and complete in accordance with generally accepted accounting principles

E.A. HAWSE HEALTH CENTER, INC.
FINANCIAL REPORT
FOR THE YEARS ENDED MAY 31, 2009 AND 2008

DHHR - Finance

MAR 18 2010

Date Received

E.A. HAWSE HEALTH CENTER, INC.

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MAR 18 2010

Date Received



Certified Public Accountants

110 S. Centre Street, Cumberland, MD 21502 • PH (301)722-4455 • FAX (301)722-5004 • www hmccpa.com

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of E A Hawse Health Center, Inc (a nonprofit organization) as of May 31, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 E A Hawse Health Center, Inc as of May 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2009, 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 and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting 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 basic financial statements of E A Hawse Health Center, Inc taken as a whole. The schedule of awards is presented for purposes of additional analysis and is not a required part of the financial statements of the Organization. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Huber, Michaels & Company
Cumberland, Maryland
December 18, 2009

DHHR Finance

MAR 18 2010

Date Received

E A HAWSE HEALTH CENTER, INC
STATEMENTS OF FINANCIAL POSITION
May 31, 2009 and 2008

	2009	2008
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$179,711	\$410,319
Investments	9,600	9,600
Accounts receivable less allowance for doubtful accounts of \$63,280	355,197	520,575
Grants receivable	15,837	3,200
Miscellaneous other receivables	12,966	27,936
Inventory	82,386	82,386
Prepaid expenses	12,640	15,280
Total Current Assets	668,338	1,069,296
PROPERTY, PLANT AND EQUIPMENT		
Net of accumulated depreciation	1,934,764	1,810,714
OTHER ASSETS		
Loan fees, net of accumulated amortization	2,548	0
TOTAL ASSETS	\$2,605,650	\$2,880,010
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$33,136	\$48,829
Accrued liabilities	103,280	120,177
Grant liabilities	37,630	63,395
Current portion of long term debt	24,935	21,248
Total Current Liabilities	198,981	253,649
LONG TERM LIABILITIES		
Deferred revenue	28,800	29,200
2004 Construction loan payable	258,002	261,299
2007 Construction loan payable	535,114	481,303
Capital lease, less current portion	6,267	8,903
Total Long Term Liabilities	828,183	780,705
Total Liabilities	1,027,163	1,034,354
NET ASSETS		
Unrestricted	1,535,448	1,776,852
Restricted	43,039	68,804
Total Net Assets	1,578,487	1,845,656
TOTAL LIABILITIES AND NET ASSETS	\$2,605,650	\$2,880,010

(See accompanying notes and Independent Auditors' Report)

E.A. HAWSE HEALTH CENTER, INC.

STATEMENTS OF ACTIVITIES
For the Years Ended May 31, 2009 and 2008

	2009			2008		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues, gains, and other support						
Net patient service revenue	\$ 2,682,488		\$ 2,682,488	\$ 2,934,942		\$ 2,934,942
Federal government grants		\$ 663,509	663,509		\$ 647,261	647,261
State government grants		288,942	288,942		293,140	293,140
Other grant revenue		73,966	73,966		58,950	58,950
Miscellaneous income	44,920		44,920	64,158		64,158
Donated pharmaceuticals	1,023,958		1,023,958	871,515		871,515
Net assets released from restrictions, used for operations	1,052,182	(1,052,182)	0	1,000,590	(1,000,590)	
Total Support and Revenue	4,803,547	(25,765)	4,777,782	4,871,204	(1,239)	4,869,965
Expenses						
Salaries & wages	2,254,085		2,254,085	2,281,816		2,281,816
Employee benefits	252,321		252,321	224,106		224,106
Medical and dental supplies	502,484		502,484	502,259		502,259
Lab expense	423,784		423,784	389,774		389,774
Postage	20,494		20,494	16,860		16,860
Telephone	24,868		24,868	21,859		21,859
Advertising	7,161		7,161	9,451		9,451
Travel	9,807		9,807	7,409		7,409
Consulting	13,650		13,650	29,942		29,942
Conference / dues / publications / licenses	23,760		23,760	38,454		38,454
Insurance	13,288		13,288	22,225		22,225
Medicaid provider taxes	8,264		8,264	12,372		12,372
Equipment rental	8,021		8,021	5,238		5,238
Utilities / waste removal	32,541		32,541	26,576		26,576
Maintenance and repairs	76,284		76,284	66,473		66,473
Minor equipment	16,042		16,042	10,885		10,885
Vehicle expense	1,453		1,453	1,404		1,404
Amortization expense	88		88	0		0
Depreciation expense	131,466		131,466	122,518		122,518
Bad debt expense	97,175		97,175	105,701		105,701
Interest expense	57,444		57,444	37,847		37,847
Donated pharmaceuticals	1,023,958		1,023,958	871,515		871,515
Loss on asset disposal	0		0	4,539		4,539
Electronic health records	27,350		27,350	0		0
Other expenses	19,164		19,164	19,939		19,939
Total Expenses	5,044,952		5,044,952	4,829,161		4,829,161
Change in net assets	(241,404)	(25,765)	(267,169)	42,044	(1,239)	40,805
NET ASSETS, beginning of year	1,776,852	68,804	1,845,656	1,734,808	70,043	1,804,851
NET ASSETS, end of year	\$ 1,535,448	\$ 43,039	\$ 1,578,487	\$ 1,776,852	\$ 68,804	\$ 1,845,656

(See accompanying notes and Independent Auditors' Report)

E.A. HAWSE HEALTH CENTER, INC

STATEMENTS OF CASH FLOWS
Years Ended May 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (267,169)	\$ 40,805
Adjustments to reconcile change in net assets to net cash provided by/(used in) operating activities		
Loss on disposal of property, plant and equipment	0	4,539
Depreciation	131,466	122,518
Amortization	88	0
Change in:		
Accounts receivable	165,378	(53,829)
Grants receivable	(12,637)	(1,700)
Other miscellaneous receivables	14,969	(21,453)
Inventories	0	(19,996)
Prepaid expenses	2,640	(6,436)
Accounts payable	(15,693)	23,826
Accrued liabilities	(16,897)	(77,023)
Deferred revenue	(400)	(400)
Grant liabilities	(25,765)	(1,239)
Net cash provided by/(used in) operating activities	<u>(24,020)</u>	<u>9,612</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	<u>(255,516)</u>	<u>(527,891)</u>
Net cash used in investing activities	<u>(255,516)</u>	<u>(527,891)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from construction loan	69,105	490,895
Payments on building loans	(17,759)	(18,086)
Payments on capital lease	<u>(2,418)</u>	<u>(1,989)</u>
Net cash provided by financing activities	<u>48,928</u>	<u>470,820</u>
Net decrease in cash and cash equivalents	(230,608)	(47,459)
Beginning cash and cash equivalents	<u>410,319</u>	<u>457,778</u>
Ending cash and cash equivalents	<u>\$ 179,711</u>	<u>\$ 410,319</u>
Interest Paid	<u>\$ 57,444</u>	<u>\$ 37,847</u>

(See accompanying notes and Independent Auditors' Report)

E.A. HAWSE HEALTH CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

E A Hawse Health Center, Inc (the Organization) is a non-profit corporation organized under the laws of the State of West Virginia for the purpose of operating a community health center to provide health care to area residents. The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and similar sections of the state statutes. The Organization has been classified by the Internal Revenue Service as a non-profit corporation.

Significant Accounting Policies

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these financial statements include those assumed in determining the collectability of accounts receivable, useful lives of fixed assets, and payments to be made on unreported medical claims. It is at least reasonably possible that the significant estimates used will change within the next year.

Basis of Presentation

Net assets and revenues and gains and losses are classified based on donor imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted - Resources over which the Board of Trustees has discretionary control. Designated amounts represent those net assets which the Organization has set aside for a particular purpose.

E. A. HAWSE HEALTH CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES -
Continued

Significant Accounting Policies - Continued

Basis of Presentation - Continued

Temporarily restricted - Resources subject to donor imposed restrictions that either expire by the passage of time or can be fulfilled and removed by actions of the Organization pursuant to the donors' stipulations. The Organization currently has temporarily restricted net assets of \$43,039. \$37,630 represents grant monies received but not yet earned and \$5,409 represents restricted land use. Prior year temporarily restricted net assets were \$68,804. \$63,395 represented grant monies received but not yet earned and \$5,409 represented restricted land use.

Permanently restricted - Resources from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. The Organization currently has no permanently restricted net assets.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on deposit with financial institutions and brokerage firms, and all highly liquid debt investments purchased with an original maturity of three months or less.

Property and Equipment

Expenditures for the acquisition of property and equipment greater than \$2,000 are capitalized at cost. Depreciation is computed by the straight-line method over estimated useful lives of the assets ranging from three to 40 years.

Revenue Recognition

The organization's major sources of revenue consist of patient fee revenue and public support in the form of Federal and State grants. Patient revenue is based on third party payor's maximum allowable fees coupled with regional market competitive pricing and is recognized when earned (billed). Grant revenue resulting from exchange transactions is recognized when the related costs are incurred.

E.A. HAWSE HEALTH CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES-
Continued

Significant Accounting Policies - Continued

Investments

Investments in debt securities and equities are measured at fair value in the statement of financial position. Investment income, realized, and unrealized gains on investments are included in the change in net assets.

The Organization reports its investments in accordance with Statement of Financial Accounting Standards (SFAS) No. 124, *Accounting for Certain Investments held by Not-for-Profit Organizations*. SFAS No. 124 establishes accounting standards for investments in certain equity securities and for all debt securities. The Statement prescribes that covered investments be reported in the statement of financial position at fair value with any realized or unrealized gains or losses reported in the statement of activities.

Investment income is recognized as revenue in the period it is earned and gains and losses are recognized as changes in net assets in the accounting period in which they occur.

NOTE 2 - CASH CONCENTRATIONS

As of May 31, 2009, all of the Organization's deposits at banking institutions were secured by FDIC insurance. As of May 31, 2008, the Organization had deposits at two financial institutions that exceeded the FDIC coverage of \$100,000. The Organization had an agreement with Summit Community Bank to collateralize deposits in excess of the FDIC limit with federal securities. Total market value of these pledged securities were \$60,727. The Organization also had an agreement with Capon Valley Bank to collateralize deposits in excess of the FDIC limit. The total market value of those pledged securities were \$300,000.

NOTE 3 - INVESTMENTS

The Organization currently holds 300 shares of equity securities with a fair market value of \$8,154 as of May 31, 2009. Carrying value on the financial statements is \$9,600.

E.A. HAWSE HEALTH CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable as of May 31, 2009 and 2008 consist of:

	<u>2009</u>	<u>2008</u>
Patient and third party receivable	\$ 418,477	\$ 609,122
Allowance for adjustments and doubtful accounts	<u>63,280</u>	<u>88,547</u>
Net accounts receivable	<u>\$ 355,197</u>	<u>\$ 520,575</u>

The Organization's accounts receivable are not collateralized

The Organization's policy for determining when receivables are past due or delinquent is as follows:

If payment is not received in ninety (90) days, a certified letter signed by the Finance Director is mailed to all patients with a delinquent balance advising the patient that unless they make payment in full on the accounts, or contact the Health Center within ten (10) days, their account will be placed in the hands of the collection agency. When an account has been submitted to the collection agency, the account is written off as bad debt.

NOTE 5 - GRANTS RECEIVABLE

Grants receivable consists of grant awards which have been spent as of May 31, 2009, for which reimbursement has not yet been received. Grants receivable of \$15,837 are to be collected in the next fiscal year. Management believes all current grant receivables to be collectable and, therefore, no allowance for doubtful accounts has been recorded. Grant receivables as of May 31, 2008 were \$3,200.

E.A HAWSE HEALTH CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - PROPERTY, PLANT, AND EQUIPMENT

A summary of property, plant, and equipment is as follows:

	<u>2009</u>	<u>2008</u>
Land	\$ 38,638	\$ 38,638
Buildings	2,241,424	2,135,879
Equipment	1,090,920	946,790
Vehicles	<u>27,043</u>	<u>27,043</u>
	3,398,025	3,148,350
Less accumulated depreciation	<u>(1,463,261)</u>	<u>(1,337,636)</u>
Total Property and Equipment	<u>\$ 1,934,764</u>	<u>\$ 1,810,714</u>

Depreciation expense for the years ended May 31, 2009 and 2008 was \$131,466 and \$122,518 respectively

NOTE 7 - INVENTORY

Inventories of materials and supplies are valued at cost, based on the last invoice price

NOTE 8 - NET PATIENT SERVICE REVENUE

The Organization provides services to patients which are paid or reimbursed at amounts different from that which are billed. Net patient service revenue for the year ended May 31, 2009 and 2008 are:

	<u>2009</u>	<u>2008</u>
Gross patient service revenue	\$ 3,929,798	\$ 4,182,355
Policy discounts, sliding scale, and other adjustments	<u>(1,247,310)</u>	<u>(1,247,413)</u>
Net patient service revenue	<u>\$ 2,682,488</u>	<u>\$ 2,934,942</u>

E.A. HAWSE HEALTH CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 9 - CONCENTRATIONS

The Organization receives grant funds from the federal government and state government. Total grant revenue for the year ended May 31, 2009 and 2008 is \$1,026,417 and \$999,351, respectively. Three grant sources account for more than ninety seven percent (97%) of the total grant revenue (99% for the year ended May 31, 2008). A loss of any of these grants funds would be material to the Organization.

The nature of geographical location and supply of health care providers in the local area make it necessary for the Organization to recruit physicians from other regions of the country. A loss of provider(s) has the ability to decrease revenue due to the time needed to recruit and relocate a new provider.

NOTE 10 - LONG-TERM DEBT

As of May 31, 2005, E A Hawse Health Center, Inc had a construction loan payable in the amount of \$379,354 for the addition to the facilities. In fiscal year 2006, the loan was refinanced for \$350,000 with interest at 6.99% and a maturity date of July 15, 2020. Principal and interest payments of \$3,150.59 are due monthly and began August 1, 2005. On September 4, 2008, this loan was refinanced again for \$270,000. The loan bears interest at 6.25% and the maturity date is September 4, 2028. Principal and interest payments of \$1,973.90 are due monthly and began October 4, 2008. The loan is secured by a third deed of trust dated September 4, 2008 on 4.01 acres, 29.43 acres, and the health and dental clinic building.

On September 4, 2008, the 2007 building addition loan was refinanced for \$560,000. The loan refinance bears interest at 6.25% and the maturity date is September 4, 2028. Principal and interest payments of \$4,094.02 are due monthly and began October 4, 2008. The loan is secured by a second deed of trust dated September 4, 2008 on E A Hawse Health Center building, 4.01 acres, and 29.43 acres.

E A Hawse also maintains a capital lease for a copier which was leased on August 27, 2007. The total amount financed was \$12,689.60. The lease bears interest at 9.368%. Payments of \$265.69 are made monthly through August 27, 2012. The depreciable cost of the equipment was the same as the amount financed. Accumulated depreciation on the copier for May 31, 2009 and 2008 is \$2,538 and \$1,269, respectively.

E.A. HAWSE HEALTH CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 10 - LONG-TERM DEBT -- Continued

Maturities of long-term debt are as follows:

2010	\$	24,935
2011		26,621
2012		28,424
2013		27,705
2014		28,842
2015 and thereafter		<u>687,791</u>
Total	\$	<u>824,318</u>

NOTE 11 - AMORTIZATION

Fees related to refinancing of the construction loan in the amount of \$2,636 are being amortized over twenty years. Total current year amortization is \$88. Subsequent year amortization will be \$132 per year.

NOTE 12 - LEASE AGREEMENT

E A Hawse Health Center, Inc has a lease agreement with a pharmacist for the pharmacy located within the Health Center facility. Approximately 530 square feet of floor space is rented by the pharmacist for a fee of \$4,800 per year (\$400 per month) and is inclusive of all fixtures, housekeeping services, and utilities except for telephone. The lease agreement is year to year, and began on September 1, 2006.

E A Hawse Health Center, Inc also has a lease agreement with Hemlock, LLC. This lease is for land that the Health Center owns, but where a nursing home is located. The original lease that began on August 9, 1983 stated that the lessee was to pay \$1 a 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 2082. The deferred revenue balance as of May 31, 2009 and 2008 is \$28,800 and \$29,200, respectively.

E.A. HAWSE HEALTH CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 13 - TEMPORARILY RESTRICTED ASSET

The land that E A Hawse Health Center, Inc is leasing to Hemlock, LLC was acquired as part of a larger tract which includes the location of the community health center. Therefore, a portion of that land is considered a temporarily restricted 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 14 - SUBSEQUENT EVENT

On June 1, 2009, E A Hawse Health Center, Inc acquired the practices of Dr Indacochea and Dr Valley in Petersburg, WV. The new practice operates under the name Grant Pediatrics and Internal Medicine.

NOTE 15 - THEFT

As a result of an internal investigation, the Organization has determined that its former CFO stole money through improper accrual and payment of leave time. The total amount stolen has not been determined, but is believed to be immaterial to the financial statements. At the date of the audit report, no charges have been filed against the former CFO.

E A HAWSE HEALTH CENTER, INC
SCHEDULE OF AWARDS
FOR THE YEAR ENDED MAY 31, 2009

Federal Grantor/Pass Through Grantor/ Program Title	Grant Period	Federal CFDA Number(s)	Program or Award Amount	(Grant Receivable) / Refundable Advance June 1, 2008	Current Year Grant Receipts	Grant Disbursements/ Expenditures Transfers	Grant Receivable / (Refundable Advance) May 31 2009
Federal							
Department of Health and Human Services							
Community Health Centers Programs	6/1/08 - 5/31/09	93 224	\$ 648,672	\$	\$ 648,672	\$ 648,672	\$ -
ARRA - Increase Services to Health Centers	3/27/09 - 3/26/11	93 703	177,637			14,837	14,837
Non-Federal							
State of West Virginia							
West Virginia Dept of Health and Human Resources Bureau for Public Health							
1 Primary Care	7/1/08 - 6/30/09		291,918	30,145	291,918	288,942	(33,121)
2 Oral Health Education	7/1/07 - 6/30/09		4,000	(3,200)	4,000	800	
3 Oral Health Education	7/1/07 - 6/30/08		4,000		3,000	4,000	1,000
4 Rural Health Systems Program	11/13/08 - 11/12/09		40,000		13,000	13,000	
Sisters of St. Joseph Health and Wellness Foundation							
School Based Health	1/1/09 - 12/31/09		54,150	33,250	27,075	55,816	(4,509)
American Lung Association of the Mid-Atlantic							
School Based Health	6/1/08 - 5/31/09		350		350	350	
Total Awards			<u>\$ 1,220,727</u>	<u>\$ 60,195</u>	<u>\$ 988,015</u>	<u>\$ 1,026,417</u>	<u>\$ (21,793)</u>

See Independent Auditors' Report



Certified Public Accountants

110 S. Centre Street, Cumberland, MD 21502 • PH (301)722-4455 • FAX (301)722-5004 • www.hmccpa.com

December 18, 2009

To the Board of Directors of
E A Hawse Health Center, Inc

We have audited the financial statements of E A Hawse Health Center, Inc for the year ended May 31, 2009, and have issued our report thereon dated December 18, 2009. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *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 July 2, 2009. 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 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2009. 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 is based on historical collection rates. We evaluated the key factors and assumptions used to develop the allowance for doubtful accounts in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the useful lives of fixed assets is based on historical experience with similar assets. We evaluated the key factors and assumptions used to develop the useful lives of fixed assets in determining that it is reasonable in relation to the financial statements taken as a whole.

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 uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a

whole. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

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. Management did not agree with the single audit finding regarding late implementation of the most recent Federal Poverty Guidelines for their sliding fee scale, as noted in their response on the Schedule of Findings and Questioned Costs.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 18, 2009.

Management Consultations with Other Independent Accountant

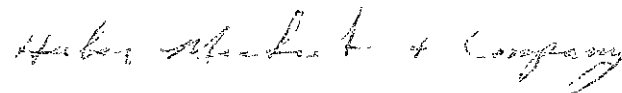
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination 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 the 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,



Huber, Michaels & Company

DHHR - Finance

MAR 18 2010

Date Received

E A Hawse Health Center
 Passed Adjusting Journal Entries
 5/31/2009

Num	Description	Debit	Credit
1	Credit Card Account Accounts Receivable To record credit card transactions for May 2009	7,050 23	7,050 23
2	Unrealized Loss Highland Bankshares To adjust to FMV of stock @ 5/31/09	1,446 00	1 446 00
3	Inventory Medical Supplies To adjust inventory to agree with recalculation of inventory sheets	3,936 03	3,936 03
4	Pharmacy Inventory Pharmacy Supplies To adjust inventory to agree with recalculation of inventory sheets	7,322 72	7,322 72
5	Accrued Annual Leave Balance Sheet Incrementals To adjust accrued leave to correct amount	1,385 50	1,385 50
6	Insurance - Medical Insurance W/H Payable To adjust payable to 50% of June 2009 payroll liability	4 096 05	4,096 05



Certified Public Accountants

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December 18, 2009

To the Board of Directors
E A Hawse Health Center, Inc
Baker, WV

In planning and performing our audit of the financial statements of E A Hawse Health Center, Inc for the year ended May 31, 2009, we considered the Organization's internal control to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control

However, during our audit, we became aware of certain matters that provide an opportunity for strengthening internal controls and operating efficiency (We previously reported on the Organization's internal control in our report dated December 18, 2009) This letter does not affect our report dated December 18, 2009, on the financial statements of E A Hawse Health Center, Inc

We will review the status of these comments during our next audit engagement We have already discussed many of these comments and suggestions with various Organization personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations Our comments are summarized as follows:

We noted a financial oversight issue that would make reporting throughout the year more accurate We recommend that on a monthly basis either the Chief Executive Officer, or someone appointed by him, review the balance sheet accounts to ensure that the balances in MAS-90 agree to the supporting documentation The following item can be easily verified on a monthly basis:

- 1 Fixed Assets and Accumulated Depreciation should reconcile to the depreciation schedule

We wish to thank Gary Johnson and Leslie Sheets, and the remaining staff of E A Hawse Health Center, Inc for their assistance and hospitality during our audit

This report is intended solely for the information and use of the Board of Directors, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties

DHHR - Finance

MAR 18 2010

Date Received

Very truly yours,
HUBER, MICHAELS & CO

A handwritten signature in cursive script, appearing to read 'Timothy P. Michaels'.

Timothy P Michaels, CPA, CVA