HEALTHWAYS
A System for Change
Formerly Hancock-Brooke Behavioral Health Service

WV DHHR Office of Accountability and Management Reporting
ATTN: Division of Compliance and Monitoring
State Capitol Complex, Building 3, Room 550
Charleston, WV 25305

March 02, 2010

Dear Reathel Cottrell,

We are enclosing an audited financial statement for Fiscal Year ending June 30, 2009 This should complete our grant reporting requirements for that year If additional information is needed, please contact me

David M Szeligo
Healthways Inc \Controller

DHHR - Finance

MAR -4 2010

Date Received

501 Colliers Way
Weirton, WV 26062
(304) 723-5440 · (800) 774-2429 · FAX (304) 723-0665

HEALTHWAYS, INC. AND AFFILATE

CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009

SEACHRIST, KENNON & MARLING, A.C.
CERTIFIED PUBLIC ACCOUNTANTS

HEALTHWAYS, INC. AND AFFILIATE
TABLE OF CONTENTS
JUNE 30, 2009

SEACHRIST, KENNON & MARLING, A.C.
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated statement of financial position of HealthWays, Inc and Affiliate (non-profit organizations) as of June 30, 2009, and the related consolidated statement of activities and changes in net assets, and consolidated statement of cash flows for the year then ended. These consolidated financial statements are the responsibility of HealthWays, Inc. and Affiliate's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of HealthWays, Inc. and Affiliate as of June 30, 2009, and its changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated January 5, 2010, on our consideration of HealthWays, Inc.'s and Affiliate's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Seachrist, Kennon & Marling, A.C.

Wheeling, West Virginia
January 5, 2010

DHHR - Finance

MAR - 4 2010

Date Received

HEALTHWAYS, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2009

	HealthWays, Inc.	Greenbrier Manor, Inc.	Combining Entries	Combined 2009
ASSETS:				
Current assets:				
Cash and cash equivalents	$ 4,198,863	$ 7,045	$ -	$ 4,205,908
Client receivables, net	694,069	-	-	694,069
Contract receivables	309,779	-	-	309,779
Deposits and prepaid assets	88,367	-	-	88,367
Management fees receivable	1,927	-	(1,927)	-
Total current assets	5,293,005	7,045	(1,927)	5,298,123
Deposits held in trust and restricted revenue accounts	-	34,600	-	34,600
Plant, property and equipment:				
Land	49,184	30,000	-	79,184
Buildings	3,124,651	461,735	-	3,586,386
Equipment	830,433	-	-	830,433
Furniture and fixtures	67,267	20,409	-	87,676
Vehicles	752,592	-	-	752,592
	4,824,127	512,144	-	5,336,271
Less accumulated depreciation	(2,870,769)	(133,338)	-	(3,004,107)
Property and equipment, net	1,953,358	378,806	-	2,332,164
Other assets, at cost:				
Investments	518,172	-	-	518,172
Investment in joint venture	83,715	-	-	83,715
Total other assets	601,887	-	-	601,887
Total assets	$ 7,848,250	$ 420,451	$ (1,927)	$ 8,266,774
LIABILITIES & NET ASSETS:				
Current liabilities:				
Accounts payable	$ 616,793	$ 16,707	$ (1,927)	$ 631,573
Provider tax payable	29,363	-	-	29,363
Accrued wages and benefits	346,516	-	-	346,516
Reserve for third party settlements	31,226	-	-	31,226
Deferred income	115,613	-	-	115,613
Tenant security deposits	-	1,713	-	1,713
Total current liabilities	1,139,511	18,420	(1,927)	1,156,004
Long-Term Liabilities:				
Mortgage payable	-	378,400	-	378,400
Total liabilities	1,139,511	396,820	(1,927)	1,534,404
Net assets:				
Unrestricted net assets	6,666,027	23,631	-	6,689,658
Temporarily restricted net assets	42,712	-	-	42,712
Total net assets	6,708,739	23,631	-	6,732,370
Total liabilities and net assets	$ 7,848,250	$ 420,451	$ (1,927)	$ 8,266,774

The accompanying notes are an integral part of these financial statements

HEALTHWAYS, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009

	HealthWays, Inc.	Greenbrier Manor, Inc.	Combining Entries	Combined 2009
UNRESTRICTED NET ASSETS:				
Support and Revenues				
Net client service revenue	$ 7,444,902	$ -	$ -	$ 7,444,902
Rental income	-	26,756	-	26,756
Tenant assistance payments	-	5,609	-	5,609
West Virginia Department of Health and Human Resources funding	1,972,300	-	-	1,972,300
Other support	205,671	-	-	205,671
Workshops and rentals	25,529	-	-	25,529
Investment income (loss)	(16,591)	465	-	(16,126)
Managemnt fee revenue	9,530	-	(1,927)	7,603
Tenant charges	-	1,304	-	1,304
Other revenue	13,921	1,800	-	15,721
Total support and revenues	9,655,262	35,934	(1,927)	9,689,269
Net assets released from restrictions	5,175	-	-	5,175
Total revenues and reclassifications	9,660,437	35,934	(1,927)	9,694,444
Operating Expenses				
Salaries and wages	3,302,303	-	-	3,302,303
Employee benefits	1,070,476	-	-	1,070,476
Contracted services	3,395,360	6,111	-	3,401,471
Supplies	228,975	220	-	229,195
Transportation	148,491	-	-	148,491
Utilities and telephone	138,401	11,126	-	149,527
Maintenance	155,909	11,423	-	167,332
Depreciation	252,871	12,088	-	264,959
Bad debt	79,195	-	-	79,195
Insurance	109,085	4,038	-	113,123
Provider tax	348,562	-	-	348,562
Management fees	-	4,169	(1,927)	2,242
Investment fees	5,134	-	-	5,134
Other	88,621	3,395	-	92,016
Total expenses	9,323,383	52,570	(1,927)	9,374,026
Increase (decrease) in unrestricted net assets	337,054	(16,636)	-	320,418

HEALTHWAYS, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009

	HealthWays, Inc.	Greenbrier Manor, Inc.	Combining Entries	Combined 2009
TEMPORARILY RESTRICTED NET ASSETS:				
Support and Revenues				
Grants	-	-	-	-
Net assets released from restrictions	(5,175)	-	-	(5,175)
Increase (decrease) in temporarily restricted net assets	(5,175)	-	-	(5,175)
Increase (decrease) in net assets	331,879	(16,636)	-	315,243
Net assets, beginning of year	6,376,860	40,267	-	6,417,127
Net assets, end of year	$ 6,708,739	$ 23,631	$ -	$ 6,732,370

The accompanying notes are an integral part of these financial statements

HEALTHWAYS, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009

	HealthWays, Inc.	Greenbrier Manor, Inc.	Combining Entries	Combined 2009
Cash Flows from Operating and Non-Operating Revenue Activities:				
Increase (decrease) in net assets	$ 331,879	$ (16,636)	$ -	$ 315,243
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating and non-operating activities:				
Depreciation	252,871	12 088	-	264,959
Realized and unrealized (gain) loss on investments	168,873	-	-	168,873
Change in assets and liabilities:				
(Increase) decrease in receivables	46 275	-	1,927	48,202
(Increase) decrease in deposits and prepaid expenses	(62,282)	(412)	-	(62,694)
(Increase) decrease in other assets	(46,122)	-	-	(46,122)
Increase (decrease) in accounts payable	10,852	10,212	(1,927)	19,137
Increase (decrease) in provider tax	2,534	-	-	2,534
Increase (decrease) in accrued wages and benefits	(49,050)	-	-	(49,050)
Increase (decrease) in tenant security deposits	-	339	-	339
Increase (decrease) in other liabilities	-	-	-	-
Increase (decrease) in deferred income	28,486	-	-	28,486
Net cash provided (used) by operating activities	684,316	5,591	-	689,907
Cash Flows from Investing Activities				
(Purchases) of property and equipment	(148,975)	-	-	(148,975)
(Purchases) of investments	(42,522)	-	-	(42,522)
Sale of investments	6,646	-	-	6,646
Net deposits in reserves and residial receipts	-	(2,070)	-	(2,070)
Net cash provided (used) in investing activities	(184,851)	(2,070)	-	(186,921)
Net increase (decrease) in cash	499,465	3,521	-	502,986
Cash at beginning of the year	3,699,398	3,524	-	3,702,922
Cash at end of the year	$ 4,198,863	$ 7,045	$ -	$ 4,205,908
Supplemental disclosure for cash flow information:				
Cash paid during the period for:				
Interest expense	$ -	$ -	$ -	$ -
Income taxes	$ -	$ -	$ -	$ -

The accompanying notes are an integral part of these financial statements

SCHEDULES OF AWARDS

HEALTHWAYS, INC. AND AFFILIATE
NOTE TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
JUNE 30, 2009

Basis of Presentation:

The accompanying Schedules of Expenditures of Federal Awards and Schedule of Expenditures of State Awards, which includes the federal and state grant activity of HealthWays, Inc are presented on the accrual basis of accounting. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements

HEALTHWAYS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009

Federal Grantor/ Program Title	Account Number	Federal CFDA #	Award Amount	Accounts Receivable 06/30/08	Deferred Revenue 06/30/08	Current Revenue Earned	Expenditures	Deferred Revenue 06/30/09	Accounts Receivable 06/30/09
Electronic Medical Records	8723-2009-2849-096-128	93.243	$ 25,500	$ -	$ -	$ 12,480	$ 12,480	$ 12,520	$ -
SA Services	8793-2009-2885-096-128	93.959	255,268	-	-	255,268	255,268	-	43,452
SA Services	8792-2008-2885-096-128	93.959	255,268	59,608	-	-	-	-	-
SA Adolescent Services	8793-2009-2892-096-128	93.959	44,172	-	-	25,845	25,845	-	19,312
SA Adolescent Services	8793-2008-2892-096-128	93.959	44,172	22,978	-	-	-	-	-
SA Prevention	8793-2009-2891-096-128	93.959	84,474	-	-	84,474	84,474	-	6,757
				$ 82,586	$ -	$ 378,067	$ 378,067	$ 12,520	$ 69,521

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

HEALTHWAYS, INC.
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2009

Federal Grantor/ Program Title	Account Numbers	Federal CFDA #	Award Amount	Accounts Receivable 06/30/08	Deferred Revenue 06/30/08	Current Revenue Earned	Expenditures	Deferred Revenue 06/30/09	Accounts Receivable 6/30/09
Uncompensated Care	0525-2009-3065-219-252	N/A	$ 256,986	$	$ -	$ 256,986	$ 256,986	$ -	$
Support Services	0525-2009-3041-219-252	N/A	142,204		-	142,204	142,204	-	
Client Core Services	0525-2009-2851-219-252	N/A	103,403			103,403	103,403	-	-
Crisis Improvement	0525-2009-2851-219-252	N/A	83,561	-	-	83,561	83,561	-	
Case Management	0525-2009-2851-219-252	N/A	116,700			116,700	116,700	-	15,741
Case Management	0525-2008-2851-219-252	N/A	116,700	26,579	-	-	-	-	-
DD Client	0525-2009-2867-219-252/258	N/A	68,769	-	-	68,769	68,769	-	-
Family Support Services	0525-2009-2870-221-252	N/A	68,285	-	-	60,204	60,204	-	10,704
Family Support Services	0525-2008-2870-221-252	N/A	68,912	14,229		8,013	8,013		-
Adolescent IOP	0525-2008-2884-219-252	N/A	20,871	20,871	-	-	-		-
Community Support Improvement	0525-2009-3702-219-252	N/A	133,814	-	-	133,814	133,814	-	28,044
Community Support Improvement	0525-2008-3702-219-252	N/A	138,814	11,290		-	-		-
Electronic Medical Records	0525-2009-2849-219-252	N/A	8,000			-	-	8,000	667
SA Core Discretionary	0525-2009-2885-219-252	N/A	56,526	-		56,526	56,526		33,241
SA Core Discretionary	0525-2008-2885-219-252	N/A	56,526	17,289	-	-	-	-	-
SA Adult Residential Treatment	0525-2009-2891-219-252	N/A	520,000			520,000	520,000	-	130,991
SA Adult Residential Treatment	0525-2008-2891-219-252	N/A	520,000	105,949	-	-	-		-
SA Adolescent Outpatient	0525-2009-2892-219-252	N/A	141,000		-	64,327	64,327	-	20,870
SA Adolescent Outpatient	0525-2008-2892-219-252	N/A	118,661	16,563	-	-	-	-	-
				$ 212,770	$ -	$ 1,614,507	$ 1,614,507	$ 8,000	$ 240,258

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

HEALTHWAYS, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009

Note 1 – Description of Organization and Significant Accounting Policies:
HealthWays, Inc. was incorporated in West Virginia as a not-for-profit corporation on June 12, 1970 as Hancock-Brooke Mental Health Services, Inc On July 26, 1996, the name was officially changed to HealthWays, Inc. (HealthWays). Its purpose is to establish, maintain, support and operate a comprehensive mental health center, primarily to serve the residents of Hancock and Brooke counties in West Virginia, but also to serve the residents of surrounding areas. During the year ended June 30, 2009 HealthWays, Inc. obtained a controlling interest in Greenbrier Manor, Inc

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

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

Principles of Consolidation - The consolidated financial statements as of June 30, 2009 include the accounts of HealthWays, Inc and its controlled affiliate Greenbrier Manor, Inc. All intercompany transactions have been eliminated from the consolidated financial statements.

Net Client Service Revenue - Revenues from services rendered to clients are recorded by HealthWays, Inc at the full-established rates, with estimated amounts uncollectible by reason of charity allowances and contractual adjustments recorded as revenue deductions. Net amounts are reported on the statement of activities. For the year ended June 30, 2009, allowances and discounts totaled $2,293,467.

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

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

Client Receivables - Client receivables have been reported net of allowances for uncollectibles and contractual adjustments of $550,865 as of June 30, 2009.

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

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

Property and equipment with a cost exceeding $1,000 and an estimated useful life of greater than one year is recorded at historical cost Depreciation is calculated using the straight-line method over the estimated useful life of the assets. Depreciation expense for HealthWays, Inc. for the year ended June 30, 2009 was $252,871 Depreciation for Greenbrier Manor, Inc for the year ended June 30, 2009 was $12,088. Consolidated depreciation expense for the year ended June 30, 2009 was $264,959. Because HealthWays, Inc. leases from the state, the state is responsible for all major repairs and maintenance, therefore HealthWays, Inc. does not maintain a schedule for planned major repairs and maintenance

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

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

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

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

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

HealthWays, Inc. and Affiliate had no permanently restricted net assets at June 30, 2009. HealthWays, Inc.'s temporarily restricted net assets at June 30, 2009 were $42,712 The composition of the temporarily restricted net assets for HealthWays, Inc. as of June 30, 2009 was $42,712 relegated for use in the "Miracles Happen" program. Greenbrier Manor, Inc did not have any temporarily restricted net assets as of June 30, 2009

Income Taxes - The Organizations are not-for-profit organizations that are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organizations qualify for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an Organization that is not a private foundation under 509(a)(2).

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

Note 1 – Description of Organization and Significant Accounting Policies (continued):
Contributions - The Organizations adopted SFAS No 116 *Accounting for Contributions Received and Contributions Made*. In accordance with this, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions

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

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

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

The classification of expenses by functional allocation is as follows:

HealthWays, Inc.

	2009
Program Services	$ 7,823,504
Management & General	1,499,879
	$ 9,323,383

Greenbrier Manor, Inc.

	2009
Program Services	$ 34,629
Management & General	17,941
	$ 52,570

Consolidated

	2009
Program Services	$ 7,858,133
Management & General	1,515,893
	$ 9,374,026

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

Note 2 – Retirement Plan:
During the fiscal year ended June 30, 1981, HealthWays, Inc adopted a Simplified Employee Pension contribution agreement covering all full-time employees, age 21 and over with 18 months of service. During the fiscal year ended June 30, 1996, HealthWays elected to include part-time employees. During the fiscal year ended June 30, 2006, HealthWays adopted a 401k plan covering all eligible employees, age 21 and over with no service requirements The 401k plan has no company contributions. HealthWays accrues an equivalent of 7% of eligible employees gross wages on a monthly basis For the fiscal year ended June 30, 2009, retirement plan expense related to the Simplified Employee Pension plan amounted to $162,072 of which $12,395 was unpaid and included in accrued wages and benefits on the balance sheet

Note 3 – Investments:
Investments - HealthWays, Inc accounts for its investments in accordance with SFAS 124 *Accounting for Certain Investments Held by Not-For-Profit Organizations* Under SFAS 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statement of Financial Position Unrealized gains and losses are included in the Statement of Activities and Changes in Net Assets.

At June 30, 2009 investments held were comprised of the following:

June 30, 2009:	Cost	Market
Cash and Cash Equivalents	$ 5,172	$ 5,172
Mutual Funds - Equity	714,235	513,000
Total	$ 719,407	$ 518,172

Unrealized investment gains (losses) for the years ending June 30, 2009 amounted to ($168,872).

Investment in Joint Venture - During the year ended June 30, 1996, HealthWays, Inc. along with many other mental health centers, jointly created First Choice Health Systems, Inc , a for profit corporation to enable the centers to pool their influence to expand into statewide markets. The original investment was $50,000 with an estimated value of $83,715 as of June 30, 2009

Note 4 - Line-of-Credit:
HealthWays, Inc has established a continuing line-of-credit with the Steel Workers Community Federal Credit Union in the amount of $200,000 There was no outstanding balance on this credit line as of June 30, 2009. The line has a variable interest rate and requires said interest to be paid monthly. Accounts receivable have been pledged as collateral.

Note 5 - Long-Term Debt
Greenbrier Manor, Inc has a capital advance agreement with HUD in the amount of $378,400. This agreement is secured by a mortgage deed on the property located at 229 Greenbrier Road, Weirton, WV. As noted in the mortgage note dated July 30, 1998, the principal sum shall bear no interest nor shall repayment be required so long as the housing remains available to eligible, low-income persons with disabilities in accordance with Section 202 of the Housing Act of 1959, the Regulatory Agreements and Regulations. If default be made by the Owner, the entire principal sum shall at once become due and payable Interest per annum at a rate equal to 6.75% shall be payable on demand with respect to the payment of principal upon default

Note 6 - Housing Assistance Payment Contract
To subsidize a portion of the tenants' monthly rental costs of the projects, Greenbrier Manor, Inc has entered into Housing Assistance Payment (HAP) contracts with HUD, which require certain restrictions on operating policies, rental charges, and operating expenditures. Under the terms of the contracts, a "contract rent" value is assigned to each unit based on results of a market comparability study of other rental units in the regional area. The tenants' monthly rental cost is equal to 30 percent of their adjusted monthly income. The balance of the contract rent is subsidized by HUD Subsidized rental income was $5,609 for the year ended June 30, 2009

Note 7 – Cash Balances in excess of FDIC and NCUA Insurance:
HealthWays, Inc. and Affiliate maintain accounts at local financial institutions. The Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Administration (NCUA) insures a maximum of $250,000 per depositor. Differences do exist between financial institution and book balances due to deposits-in-transit, outstanding checks and other reconciling items The following uninsured excess exists at June 30, 2009

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

HealthWays, Inc.

	First Choice Credit Union	Wesbanco	Progressive Bank	Tin Mill Credit Union	Hancock Co. Savings Bank
Balance as of June 30, 2009	$ 2,998,006	$ 850,622	$ 117,883	$ 117,001	$ 245,345
Less: FDIC & NCUA Coverage	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)
Less: Additional Coverage	(2,830,000)	-	-	-	-
Amount (below) above coverage	($ 81,994)	$ 600,622	($ 132,117)	($ 132,999)	($ 4,655)

Greenbrier Manor, Inc.

	United Bank	Hancock Co. Savings Bank
Balance as of June 30, 2009	$ 25,990	$ 14,961
Less: FDIC & NCUA Coverage	(250,000)	(250,000)
Less: Additional Coverage	-	-
Amount (below) above coverage	($ 224,010)	($ 235,039)

The total uninsured excess as of June 30, 2009 was $600,622; management believes the credit risk associated with these deposits is minimal

Note 8 - Fair Value Measurements

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

Fair Value Measurements Using:

June 30, 2009:	Fair Value	*Quoted Prices in Active Markets for Identical Assets* (Level 1)
Investment Accounts	$ 518,172	$ 518,172
Total	$ 518,172	$ 518,172

SFAS No. 157, *Fair Value Measurements*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value

Level 1 Fair Value Measurements

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

Note 9 - HUD Restricted Deposits

Under the terms of the Regulatory and Loan Agreements, Greenbrier Manor, Inc is required to maintain certain deposit accounts to be held for specified purposes. The Greenbrier Manor, Inc. is required to make monthly deposits to a replacement reserve account for the future repair and replacement of property and equipment. Additionally, any surplus cash existing at year-end is required to be deposited into a residual receipts account Withdrawals from the replacement reserve and residual receipts accounts are subject to approval by HUD. Balances in restricted funds as of June 30, 2009 were as follows:

Note 9 - HUD Restricted Deposits (continued)

	Balance
Replacement Reserve	$ 19,906
Residual Receipts	$ 11,608
Tenant Security Deposits	$ 2,064

Note 10 - Rent Increases

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

SUPPLEMENTARY INFORMATION

SEACHRIST, KENNON & MARLING, A.C.
CERTIFIED PUBLIC ACCOUNTANTS * BUSINESS CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

To the Board of Directors of
HealthWays, Inc & Affiliate

Our report on our audit of the consolidated financial statements of HealthWays, Inc and Affiliate for the year ended June 30, 2009 appears on page 1 The audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole The statements of financial position, statements of activities and changes in net assets, and statements of cash flows for HealthWays, Inc for the years ended June 30, 2009 and 2008 and the schedule of property and equipment purchases with BHHF administered funding (shown on pages 16 - 20) are presented for additional analysis and are not a required part of the consolidated financial statements Additionally, the statement of financial position, statement of activities and changes in net assets, statement of cash flows for Greenbrier Manor, Inc for the year ended June 30, 2009, and supplemental data required by HUD (shown on pages 21 - 26), are also presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Information relating to the year ended June 30, 2009 has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole

Seachrist, Kennon & Marling, A.C.

Wheeling, West Virginia
January 5, 2010

DHHR - Finance

MAR - 4 2010

Date Received

HEALTHWAYS, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2009 AND 2008

	2009	2008
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 4,198,863	$ 3,699,398
Client receivables, net	694,069	756,906
Contract receivables	309,779	295,144
Deposits and prepaid assets	88,367	26,085
Management fees receivable	1,927	-
Total current assets	5,293,005	4,777,533
Plant, property and equipment:		
Land	49,184	49,184
Buildings	3,124,651	3,052,329
Equipment	830,433	815,522
Furniture and fixtures	67,267	54,586
Vehicles	752,592	738,158
	4,824,127	4,709,779
Less accumulated depreciation	(2,870,769)	(2,652,526)
Property and equipment, net	1,953,358	2,057,253
Other assets, at cost:		
Investments	518,172	651,169
Investment in joint venture	83,715	37,593
Total other assets	601,887	688,762
Total assets	$ 7,848,250	$ 7,523,548
LIABILITIES & NET ASSETS:		
Current liabilities:		
Accounts payable	$ 616,793	$ 605,941
Provider tax payable	29,363	26,828
Accrued wages and benefits	346,516	395,566
Reserve for third party settlements	31,226	31,226
Deferred income	115,613	87,127
Total current liabilities	1,139,511	1,146,688
Total liabilities	1,139,511	1,146,688
Net assets:		
Unrestricted net assets	6,666,027	6,328,973
Temporarily restricted net assets	42,712	47,887
Total net assets	6,708,739	6,376,860
Total liabilities and net assets	$ 7,848,250	$ 7,523,548

HEALTHWAYS, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
UNRESTRICTED NET ASSETS:		
Support and Revenues		
Net client service revenue	$ 7,444,902	$ 7,194,550
West Virginia Department of Health and Human Resources funding	1,972,300	2,017,227
Other support	205,671	194,894
Workshops and rentals	25,529	27,199
Investment income (loss)	(16,591)	47,254
Managemnt fee revenue	9,530	5,676
Other revenue	13,921	9,535
Total support and revenues	9,655,262	9,496,335
Net assets released from restrictions	5,175	-
Total support, revenues and reclassifications	9,660,437	9,496,335
Operating Expenses		
Salaries and wages	3,302,303	3,299,985
Employee benefits	1,070,476	1,061,559
Contracted services	3,395,360	3,325,836
Supplies	228,975	195,474
Transportation	148,491	76,700
Utilities and telephone	138,401	127,505
Building and equipment maintenance	155,909	172,686
Depreciation	252,871	259,801
Bad debt	79,195	72,355
Insurance	109,085	116,030
Provider tax	348,562	327,300
Investment fees	5,134	7,170
Other	88,621	80,144
Total expenses	9,323,383	9,122,545
Increase (decrease) in unrestricted net assets	337,054	373,790
TEMPORARILY RESTRICTED NET ASSETS:		
Support and Revenues		
Donations	-	7,000
Net assets released from restrictions	(5,175)	-
Increase (decrease) in temporarily restricted net assets	(5,175)	7,000
Increase (decrease) in net assets	331,879	380,790
Net assets, beginning of year	6,376,860	5,996,070
Net assets, end of year	$ 6,708,739	$ 6,376,860

HEALTHWAYS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
Cash Flows from Operating and Non-Operating Revenue Activities:		
Increase (decrease) in net assets	$ 331,879	$ 380,790
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating and non-operating activities:		
Depreciation	252,871	259,801
Realized and unrealized (gain) loss on investments	168,873	90,543
Change in assets and liabilities:		
(Increase) decrease in receivables	46,275	371,284
(Increase) decrease in deposits and prepaid expenses	(62,282)	24,728
(Increase) decrease in other assets	(46,122)	4,464
Increase (decrease) in accounts payable	10,852	50,979
Increase (decrease) in provider tax	2,534	2,621
Increase (decrease) in accrued wages and benefits	(49,050)	(5,495)
Increase (decrease) in other liabilities	-	31,226
Increase (decrease) in deferred income	28,486	(645)
Net cash provided (used) by operating activities	684,316	1,210,296
Cash Flows from Investing Activities		
(Purchases) of property and equipment	(148,975)	(182,909)
(Purchases) of investments	(42,522)	(478,821)
Sale of investments	6,646	435,167
Net cash provided (used) in investing activities	(184,851)	(226,563)
Net increase (decrease) in cash	499,465	983,733
Cash at beginning of the year	3,699,398	2,715,665
Cash at end of the year	$ 4,198,863	$ 3,699,398
Supplemental disclosure for cash flow information:		
Cash paid during the period for:		
Interest expense	$ -	$ -
Income taxes	$ -	$ -

HEALTHWAYS, INC.
SCHEDULE OF PROPERTY AND EQUIPMENT
PURCHASES WITH BHHF - ADMINISTERED FUNDING
FOR THE YEAR ENDED JUNE 30, 2009

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

HEALTHWAYS, INC.
SCHEDULE OF PROPERTY AND EQUIPMENT
PURCHASES WITH BHHF - ADMINISTERED FUNDING
FOR THE YEAR ENDED JUNE 30, 2009

Description of Capital Expenditure	Vendor Name	Date of Acquisition	Cost	State Account Number	ID Number
Building improvements	Steele Construction	6/30/2005	7,602.00	Various	N/A
Fixtures	Triveri Aluminum	6/30/2005	4,550.00	Various	6115105
Vehicle	Jim Robinson	8/1/2005	10,000.00	Various	N/A
Vehicle	Jim Robinson	8/9/2005	3,115.98	Various	N/A
Computer	Dell	1/29/2006	1,499.21	Various	N/A
Computer	Dell	2/2/2006	1,281.54	Various	N/A
Vehicle	N/A	2/23/2006	9,239.20	Various	N/A
Computer server	Tiger Direct	7/16/2006	2,024.00	Various	EQOB0049
Laptop computer	Dell	9/20/2006	1,169.81	Various	EQOB0051
Fax machine	Office Systems of Wheeling	2/23/2007	1,313.34	Various	EQOB0053
Computers (2)	Dell	3/12/2007	2,159.67	Various	EQOB0054
Building	Weaver Barns	5/31/2007	4,876.00	Various	BGOB0004
Flooring	Bennett's Flooring	5/31/2007	1,605.38	Various	IMOB0003
Flooring	Bennett's Flooring	5/31/2007	4,809.17	Various	IMOB0004
Scanner/fax machine	Office Systems of Wheeling	6/7/2007	2,046.86	Various	EQOB0055
Computers (8)	N/A	10/26/2007	6,631.28	Various	EQOB0056 - 63
Laptop computers (2)	N/A	10/26/2007	1,823.21	Various	EQOB0064 & 65
Lot Sealing	N/A	5/29/2008	1,700.00	Various	IMOB0009
Vehicle (3 door)	N/A	6/4/2008	1,639.70	Various	VEOB0009
Furniture	N/A	6/27/2008	3,678.24	Various	Various
Television	N/A	6/27/2008	1,860.63	Various	FFOB0008
Stove	N/A	6/27/2008	1,986.41	Various	FFOB0007
Furniture	N/A	6/30/2008	3,551.37	Various	FFOB009
Computers (2)	N/A	6/30/2008	2,240.84	Various	EQOB0066 & 67
Vehicles	N/A	6/30/2008	23,098.90	Various	VEOB0010-11
Laptop computer	Dell	8/25/2008	1,223.22	8723-2009-2849-096-128-14014	EQOB0068
Rooftop furnace	Johnson Boilerworks	11/14/2008	5,625.00	Various	FFOB0010
Laptop computer	Dell	6/12/2009	1,181.64	8723-2009-2849-096-128-14014	EQOB0069
Server/Hardware	Dell	6/29/2009	12,505.79	8723-2009-2849-096-128-14014	EQHW0206
			$ 825,819.34		

GREENBRIER MANOR, INC.
HUD PROJECT NO. 045-HD015-CA
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2009

	2009
ASSETS:	
Current Assets:	
Cash	$ 7,045
Prepaid insurance	1,022
Total current assets	8,067
Deposits Held in Trust - Funded:	
Tenant security deposits	2,064
Restricted Deposits and Funded Reserves:	
Reserve for replacements	19,906
Residual reserve	11,608
Total restricted deposits	31,514
Property and Equipment:	
Land	30,000
Building and improvements	461,735
Furniture and fixtures	20,409
Total property and equipment	512,144
Less - accumulated depreciation	(133,338)
Net property and equipment	378,806
Total assets	$ 420,451
LIABILITIES AND NET ASSETS	
Current Liabilities:	
Accounts payable	$ 6,707
Miscellaneous current liabilities	10,000
Tenant security deposits	1,713
Total current liabilities	18,420
Long-Term Liabilities:	
Mortgage payable	378,400
Total liabilities	396,820
Net Assets:	
Unrestricted net assets (deficit)	23,631
Total liabilities and net assets (deficit)	$ 420,451

GREENBRIER MANOR, INC.
HUD PROJECT NO. 045-HD015-CA
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
JUNE 30, 2009

	2009
REVENUES:	
Rental income	$ 26,756
Tenant assistance payments	5,609
Investment income - residual receipts	134
Investment income - replacement reserve	330
Investment income - other	1
Laundry and vending revenue	1,800
Tenant charges	1,304
Total revenues	35,934
EXPENSES:	
Office expense	2,457
Management fee	4,169
Auditing expense	5,000
Utilities	9,329
Miscellaneous administrative expenses	2,057
Supplies	220
Contracts	451
Garbage and trash removal	528
Snow removal	810
Miscellaneous repairs and maintenance expenses	11,423
Property insurance	4,038
Depreciation	12,088
Total expenses	52,570
Increase (decrease) in net assets	(16,636)
Net assets, beginning of year	40,267
Net assets, end of year	$ 23,631

GREENBRIER MANOR, INC.
HUD PROJECT NO. 045-HD015-CA
STATEMENT OF CASH FLOWS
JUNE 30, 2009

	2009
Cash Flows from Operating Activities	
Rental receipts	$ 32,365
Interest receipts	465
Other operating receipts	3,104
Administrative	(4,014)
Management fee	(4,169)
Utilities	(9,329)
Operating and maintenance	(8,790)
Property insurance	(4,038)
Tenant security deposits	(2)
Net cash provided (used) by operating activities	5,592
Cash Flows from Investing Activities	
Net (deposits) to reserve for replacement account	(1,937)
Net (deposits) to other reserves	(134)
Net cash provided (used) by investing activities	(2,071)
Net increase (decrease) in cash	3,521
Cash at beginning of the year	3,524
Cash at end of the year	$ 7,045
Cash Flows from Operating Activities	
Increase (decrease) in net assets	$ (16,636)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:	
Depreciation expense	12,088
(Increase) decrease in prepaid expenses	(71)
(Increase) decrease in tenant security deposit account	(341)
Increase (decrease) in accounts payable	10,213
Increase (decrease) in tenant security deposits held in trust	339
Net cash provided (used) by operating activities	$ 5,592

GREENBRIER MANOR, INC.
HUD PROJECT NO. 045-HD015-CA
SUPPLEMENTARY DATA REQUIRED BY HUD
FOR THE YEAR ENDED JUNE 30, 2009

ACCOUNTS AND NOTES RECEIVABLE (OTHER THAN FROM TENANTS):
There are no accounts or notes receivable as of June 30, 2009

DELINQUENT TENANT ACCOUNTS RECEIVABLE:
There are no significant deliquent tenant accounts receivable as of June 30, 2009

ESCROW FOR INSURANCE AND TAXES:
Estimated amount required as of June 30, 2009 for future payment of:

Hazard insurance	$	3,800
Property taxes		-
Total required		3,800
Total amounts deposited		-
Amounts required to be deposited	$	3,800

TENANT SECURITY DEPOSITS:
Tenant security deposits are held in a separate bank account in the name of the project. The security account balance as of June 30, 2009 is $2,064 Interest from funds held in the security deposit account is allocated to tenant security deposits. There is no unfunded liability as of June 30, 2009

SCHEDULE OF RESERVE FOR REPLACEMENTS:

Beginning balance - July 1, 2008	$	17,970
Monthly deposits		1,606
Interest earned		330
Authorized withdrawals		-
Ending balance, June 30, 2009	$	19,906

SCHEDULE OF RESIDUAL RECEIPTS:

Beginning balance - July 1, 2008	$	11,474
Interest income		134
Authorized withdrawals		-
Ending balance, June 30, 2009	$	11,608

ACCOUNTS PAYABLE (OTHER THAN TRADE CREDITORS):
There are no accounts payable for amounts other than creditors as of June 30, 2009

ACCRUED TAXES:
There are no accrued taxes payable as of June 30, 2009.

COMPENSATION OF OWNERS:
There was no compensation paid to the owners during the period ended June 30, 2009

SCHEDULE OF UNAUTHORIZED DISTRIBUTIONS OF PROJECT INCOME:
There was no unauthorized distribution of project income during the period ended June 30, 2009

GREENBRIER MANOR, INC.
HUD PROJECT NO. 045-HD015-CA
SUPPLEMENTARY DATA REQUIRED BY HUD
FOR THE YEAR ENDED JUNE 30, 2009

SCHEDULE OF NOTES PAYABLE (OTHER THAN MORTGAGES):

There were no notes payable other than mortgages as of June 30, 2009

CHANGES IN OWNERSHIP:

There were no changes in ownership during the period ended June 30, 2009

SCHEDULE OF FUNDS IN FINANCIAL INSTITUTIONS:

Funds in financial institutions as of June 30, 2009 consist of the following:

Funds held by United National Bank - regular operating account	$	7,374
Funds held by United National Bank - tenant security deposits		2,064
Funds held by United National Bank - reserve fund for replacements		9,220
Funds held by United National Bank - residual receipts		7,333
Funds held by Hancock County Savings Bank - residual receipts		4,275
Funds held by Hancock County Savings Bank - reserve fund for replacements		10,686
Total funds in financial institutions	$	40,952

COMPUTATION OF SURPLUS CASH, DISTRIBUTIONS, AND RESIDUAL RECEIPTS

Cash:		
Cash on hand and in banks	$	9,109
Total cash		9,109
Current Obligations:		
Accounts payable - 30 days		6,707
Accrued expenses payable		10,000
Tenant security deposit liability		1,713
Total current obligations		18,420
Surplus cash (deficiency) at June 30, 2009	$	(9,311)
Deposit due residual receipts	$	-

GREENBRIER MANOR, INC.
HUD PROJECT NO. 045-HD015-CA
SUPPLEMENTARY DATA REQUIRED BY HUD
FOR THE YEAR ENDED JUNE 30, 2009

CHANGES IN FIXED ASSET ACCOUNTS:

	Assets			
	Balance 06/30/08	Additions	Disposals	Balance 06/30/09
Land	$ 30,000	$ -	$ -	$ 30,000
Building and improvements	461,735	-	-	461,735
Furniture and fixtures	20,409	-	-	20,409
Total	$ 512,144	$ -	$ -	$512,144

	Accumulated Depreciation				
	Balance 06/30/08	Current Provisions	Disposals	Balance 06/30/09	Book Value 06/30/09
Land	$ -	$ -	$ -	$ -	$ 30,000
Building and improvements	102,717	11,585	-	114,302	347,433
Furniture and fixtures	18,533	503	-	19,036	1,373
Total	$ 121,250	$ 12,088	$ -	$133,338	$ 378,806

SEACHRIST, KENNON & MARLING, A.C.
CERTIFIED PUBLIC ACCOUNTANTS * BUSINESS CONSULTANTS

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

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

We have audited the consolidated financial statements of HealthWays, Inc. and Affiliate (nonprofit organizations) as of and for the year ended June 30, 2009, and have issued our report thereon dated January 5, 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 HealthWays, Inc and Affiliate's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of HealthWays, Inc. and Affiliate's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organizations', internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's consolidated financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control

We consider the deficiencies described in the accompanying schedules of findings and responses to be significant deficiencies in internal control over financial reporting. See finding numbers HealthWays: 09-1 through 09-4 and Greenbrier Manor: 09-1 through 09-3.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the consolidated financial statements will not be prevented or detected by the organization's internal control

Our consideration of the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses However, of the significant deficiencies described above, we believe finding numbers HealthWays: 09-1 through 09-4 and Greenbrier Manor: 09-1 through 09-3 are also material weaknesses

Compliance and Other Matters

As part of obtaining reasonable assurance about whether HealthWays, Inc. and Affiliate's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of HealthWays, Inc and Affiliate in separate letter dated January 5, 2010.

HealthWays, Inc. and Affiliate's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit HealthWays, Inc and Affiliate's responses and, accordingly, we express no opinion on it

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

Seabright, Kennon & Marling, A.C.

Wheeling, West Virginia

January 5, 2010

DHHR - Finance

MAR -4 2010

Date Received

Finding 09-2: Segregation of Duties - Significant Deficiency / Material Weakness

Condition: The small size of the Organization's fiscal department currently precludes certain internal controls that would be preferred to ensure optimum segregation of duties in the areas of accounts receivable, cash disbursements, and payroll

Criteria: Effective internal control over financial reporting necessitates segregation of duties among unrelated employees of the organization, or direct involvement of the board of directors or other supervisory committee, in order to minimize the risk of financial statement misstatements caused by error or fraud.

Effect: A likelihood exists that the Organization may issue consolidated financial statements and related footnotes that contain misstatements caused by error or fraud due to lack of segregation of duties.

Recommendation: We recommend that certain functions of the accounting department be assigned to another individual for proper segregation of duties.

Response: In order to have better internal control over fiscal operations, management agrees that segregation of duties is important

Finding 09-3: Financial Statement Preparation - Significant Deficiency / Material Weakness

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

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

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

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

Response: Management acknowledges a remote likelihood exists that the organization may produce internal consolidated financial statements with a material misstatement that would not be detected by the organizations internal control The controller will review financial statement for material misstatements

Finding 09-4: Year-End Trial Balance and General Leger Account Reconciliation - Significant Deficiency / Material Weakness

Condition: The year-end trial balance that management prepared and presented to us to audit contained material misstatements. Based on our consideration of internal control over the preparation of consolidated financial statements for the purpose of planning our audit we believe that the cause of the material misstatements was inadequately designed control policies and procedures related to the reconciliation of general ledger accounts.

Criteria: Effective controls over the preparation of the year-end trial balance is a necessary step to ensure the Organization's consolidated financial statements are fairly stated.

Finding 09-4: Year-End Trial Balance and General Leger Account Reconciliation (continued)
Effect: The lack of controls over the preparation of the year-end trial balance may result in material misstatements of the Organization's trial balance and consolidated financial statements.

Recommendation: Management should assess the adequacy of the design of its policies and procedures related to the reconciliation general ledger accounts and the preparation of consolidated financial statements and design appropriate controls as necessary to rectify any inadequacies noted When developing control policies and procedures management should consider where errors or fraud could occur that would cause a material misstatement and which policies and procedures, if operating properly, would prevent or detect the error or fraud on a timely basis. In addition, to ensure the accuracy of supporting documentation used in account reconciliations, we would recommend that the parameters and calculations underlying the supporting documentation be reviewed periodically and updated as necessary

Response: Management will insure that all general ledger accounts are reconciled. Management will review all spreadsheets and other supporting documentation periodically and make updates as necessary. Management will continue to look at their policies and procedures and make changes necessary to prevent errors or fraud that could result in a material misstatement.

HEALTHWAYS, INC. AND AFFILIATE
SCHEDULE OF FINDINGS AND RESPONSES - GREENBRIER MANOR, INC.
FOR THE YEAR ENDED JUNE 30, 2009

Finding 09-1: Financial Statement Preparation - Significant Deficiency / Material Weakness
Condition: The Organization currently requires assistance from the auditors to prepare its financial statements and related footnotes

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

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

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

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

Finding 09-2: Segregation of Duties - Significant Deficiency / Material Weakness
Condition: The small size of the Organization currently precludes certain internal controls that would be preferred to ensure optimum segregation of duties in the area of cash receipts

Criteria: Effective internal control over financial reporting necessitates segregation of duties among unrelated employees of the organization, or direct involvement of the board of directors or other supervisory committee, in order to minimize the risk of financial statement misstatements caused by error or fraud

Effect: A likelihood exists that the Organization may issue financial statements and related footnotes that contain misstatements caused by error or fraud due to lack of segregation of duties.

Recommendation: We recommend that certain functions of the accounting department be assigned to another individual for proper segregation of duties.

Response: In order to have better internal control over fiscal operations, management agrees that segregation of duties is important. The management of HealthWays Inc. will recommend to Greenbrier Manor, Inc 's Board of Directors ways to segregate the fiscal duties at Greenbrier Manor, Inc.

Finding 09-3: Cash Account Reconciliation - Significant Deficiency / Material Weakness
Condition: The restricted deposit cash accounts, including certificates of deposit, are not reconciled to the general ledger during the year.

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

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

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

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

HEALTHWAYS, INC. AND AFFILIATE
SCHEDULE OF FINDINGS AND RESPONSES - HEALTHWAYS, INC.
FOR THE YEAR ENDED JUNE 30, 2009

Finding 09-1: Control Environment - Significant Deficiency / Material Weakness

Condition: There are five components of internal control: control environment, risk assessment, control activities, information and communication systems, and monitoring. Internal control is a process effected by those charged with governance and management designed to provide reasonable assurance about the achievement of the Organization's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. During our consideration of internal control over the preparation of the consolidated financial statements for the purpose of planning our audit several instances of inadequacies in internal controls were noted

Criteria: The control environment establishes an attitude for the company influencing the awareness of, and compliance with internal controls Risk assessment is the Organization's identification and analysis of relevant risks to achievement of its objectives and forming a basis for determining how the risks should be managed. Control activities are the policies and procedures that ensure that the Organization's directives are carried out Communication is the exchange of information in a form and time that enables people to carry out their responsibilities Monitoring is the process that assesses whether controls are operating as intended.

Effect: The deficiencies in the design and operation of the Organization's internal controls may prevent the Organization from identifying external and internal risks that could affect financial reporting.

Recommendation: We recommend the Organization evaluate the following internal controls over financial reporting

a *Control environment* sets the tone of the company, influencing the control consciousness of personnel It includes matters such as integrity and ethical values, commitment to competence, board of directors participation, organization structure, management's philosophy and operating style, assignment of authority and responsibility, and human resource policies and participation

b *Risk assessment* includes the company's identification and analysis of external and internal risks relevant to the preparation of consolidated financial statements, such as changes in operating environment, new personnel, new or revamped information systems, rapid growth, new products, activities, or technology, etc

c *Control activities* are the policies and procedures that help ensure that management directives are carried out. They include segregation of duties, information processing, reviews and approvals, physical controls, etc.

d. *Information and communication systems* include the accounting system and its manual or automated procedures and records used to initiate, record, process, and report the company's transactions, events, and conditions and to maintain accountability for the related assets, liabilities, and equity

e *Monitoring* is a process that assesses whether controls are operating as intended, takes corrective action for deficiencies noted, and modifies control as appropriate for changed conditions. Monitoring can be accomplished through ongoing activities by management personnel who have direct knowledge of the company's business activities, separate evaluations, or as a combination of the two. Also, some monitoring may be provided by controls built into information technology

Response: Management agrees to continue to evaluate internal controls over financial reporting. As problems are identified, management will enact policies and procedures to correct any deficiencies Management recognizes the limitations of the current accounting software and acknowledges the need to perform certain tasks in Microsoft Excel. Management will continue to explore other accounting software and provide training as needed on the current software Management concurs that good communication is essential in running a company, and will continue to encourage departments to have staff meetings.