Matthew Walker Comprehensive Health Center, Inc.

Letter Communicating Internal Control Related Matters

January 31, 2010

McGladrey

McGladrey & Pullen, LLP
Certified Public Accountants

McGladrey & Pullen, LLP
Certified Public Accountants

1185 Avenue of the Americas
New York, NY 10036
O 212.372.1000 F 212.372.1001
www.mcgladrey.com

To the Board of Directors
Matthew Walker Comprehensive Health Center, Inc.
Nashville, Tennessee

In connection with our audit of the financial statements of Matthew Walker Comprehensive Health Center, Inc. (the "Center") as of and for the year ended January 31, 2010, we identified deficiencies in internal control over financial reporting (control 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 and correct misstatements on a timely basis. A deficiency in design exists when a control necessary to meet the control objective is missing, or when an existing control is not properly designed so that even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

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 financial statements will not be prevented, or detected and corrected on a timely basis.

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 have separately communicated, to you identified deficiencies that we determined to be significant deficiencies or material weaknesses. Certain control deficiencies that have been previously communicated to you, in writing, by us or by others within your organization are not repeated herein.

Following are descriptions of other identified control deficiencies that we determined did not constitute significant deficiencies or material weaknesses:

Pharmaceutical Inventory

Observation:

The inventory balance includes $418,000 of pharmaceuticals related to the Pfizer program. The Center accounts for its inventory balance based on weekly activity reports provided by Pfizer. The Center has not performed an independent count of its Pfizer pharmaceuticals.

Recommendation:

We recommend that the Center count its donated Pfizer pharmaceutical inventory at least annually and adjust the recorded inventory balance to reflect the results of the count.

Opening Net Assets Balance

Observation:

During the audit, we noted that the opening net assets balance did not agree with the prior year's ending net assets balance as reported in the January 31, 2009 audited financial statements. The difference was due to an error in the coding of certain accounts during the year-end closing of the general ledger.

Recommendation:

We recommend that the Center establish policies and procedures that require timely review and reconciliation of significant account balances.

Cash Management

Observation:

During our audit, we noted outstanding payroll checks in the bank reconciliations that were more than one year old. Also, we noted nine outstanding checks in the operating bank reconciliation more than five years old.

Recommendation:

We recommend that the Center implement a procedure to properly investigate these old outstanding checks and that the Center adhere to the State of Tennessee unclaimed property laws. Unclaimed property includes uncashed payroll and accounts payable checks. The Center should attempt to contact the recipients of the checks and determine the status of the outstanding checks.

This communication is intended solely for the information and use of the board of directors, management and others within the entity and is not intended to be, and should not be, used by anyone other than these specified parties.

McGladrey & Pullen, LLP

New York, New York
April 15, 2011

Matthew Walker Comprehensive Health Center, Inc.

Financial Report

January 31, 2010

Contents

McGladrey & Pullen, LLP
Certified Public Accountants

1185 Avenue of the Americas
New York, NY 10036
O 212.372.1000 F 212.372.1001
www.mcgladrey.com

Independent Auditor's Report

To the Board of Directors
Matthew Walker Comprehensive Health Center, Inc.
Nashville, Tennessee

We have audited the accompanying balance sheet of Matthew Walker Comprehensive Health Center, Inc. (the "Center") as of January 31, 2010, and the related statements of operations and changes in unrestricted net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Center'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. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over financial reporting. Accordingly, we express no such opinion. 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 the Center as of January 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 15 to the financial statements, the January 31, 2009 net assets have been restated (decreased by $279,000) to correct errors in reporting of patient accounts receivable.

McGladrey & Pullen, LLP

New York, New York
April 15, 2011

Matthew Walker Comprehensive Health Center, Inc.

Balance Sheet
January 31, 2010

ASSETS	
Current Assets:	
Cash and cash equivalents	$ 166,167
Certificate of deposit	574,409
Patient services receivable, net of allowance for doubtful accounts of $4,886,424 (Note 4)	2,159,145
Contract services receivable	69,282
Prepaid expenses and other	31,433
Inventory	507,458
Total current assets	3,507,894
Property and Equipment, net (Note 5)	6,964,191
Total assets	$ 10,472,085
LIABILITIES AND UNRESTRICTED NET ASSETS	
Current Liabilities:	
Line of credit (Note 6)	$ 1,000,000
Accounts payable and accrued expenses	1,496,727
Accrued compensation	438,468
Loan payable (Note 7)	2,914,132
Refundable advances - DHHS grant	65,556
Total current liabilities	5,914,883
Commitments and Contingencies (Notes 5, 9, 12 and 13)	
Unrestricted Net Assets	4,557,202
Total liabilities and unrestricted net assets	$ 10,472,085

See Notes to Financial Statements.

Matthew Walker Comprehensive Health Center, Inc.

Statement of Operations and Changes in Unrestricted Net Assets
Year Ended January 31, 2010

Unrestricted Revenue:	
DHHS grants (Note 8)	$ 5,317,375
Patient services, net (Note 9)	5,689,895
Contract services and other grants (Note 10)	342,514
Donated pharmaceuticals	48,925
Contributions and other	199,748
Total unrestricted revenue	11,598,457
Expenses:	
Salaries and benefits	7,344,926
Other than personnel services	3,088,216
Provision for bad debts	962,751
Interest	195,880
Total expenses	11,591,773
Excess of revenue over expenses prior to depreciation and amortization expense	6,684
Depreciation and Amortization Expense	331,049
Deficit of revenue over expenses	(324,365)
DHHS Capital Grant (Note 8)	713,025
Increase in unrestricted net assets	388,660
Unrestricted Net Assets:	
Beginning, as restated (Note 15)	4,168,542
Ending	$ 4,557,202

See Notes to Financial Statements.

Matthew Walker Comprehensive Health Center, Inc.

Statement of Functional Expenses
Year Ended January 31, 2010

	Program Services	General and Administrative	Total
Salaries and wages	$ 4,742,633	$ 1,531,449	$ 6,274,082
Employee benefits	789,046	281,798	1,070,844
Healthcare consultants	576,789	10,000	586,789
Consultants and professional fees	83,564	123,646	207,210
Laboratory fees	457,963	761	458,724
Consumable supplies	800,263	32,654	832,917
Occupancy	333,390	11,535	344,925
Insurance	18,779	20,728	39,507
Equipment rental, repairs and maintenance	192,732	32,066	224,798
Telephone	55,639	40,064	95,703
Travel, conferences and meetings	51,610	53,558	105,168
Dues and subscriptions	61,827	3,737	65,564
Printing, publications and postage	20,015	14,461	34,476
Interest	99,286	96,594	195,880
Provision for bad debts	919,000	43,751	962,751
Other	15,682	76,753	92,435
	9,218,218	2,373,555	11,591,773
Depreciation and amortization	284,977	46,072	331,049
Total functional expenses	$ 9,503,195	$ 2,419,627	$ 11,922,822

See Notes to Financial Statements.

Matthew Walker Comprehensive Health Center, Inc.

Statement of Cash Flows
Year Ended January 31, 2010

Cash Flows From Operating Activities:	
Cash received from DHHS grants	$ 5,382,931
Cash received from patient services	4,895,971
Cash received from contract services	390,445
Cash received from contributions and other	199,748
Cash paid for interest	(195,880)
Cash paid for personnel costs	(7,350,116)
Cash paid for other than personnel costs	(2,501,867)
Net cash provided by operating activities	821,232
Cash Flows From Investing Activities:	
Purchase of property and equipment	(585,041)
Purchase of certificate of deposit	(18,081)
Cash used in investing activities	(603,122)
Cash Flows From Financing Activities:	
Cash received from DHHS - capital grants	713,025
Cash paid for bank overdraft	(682,983)
Principal payments on long-term borrowings	(121,598)
Net cash used in financing activities	(91,556)
Net increase in cash and cash equivalents	126,554
Cash and Cash Equivalents:	
Beginning	39,613
Ending	$ 166,167
Reconciliation of Increase in Net Assets to Net Cash Provided by Operating Activities:	
Increase in unrestricted net assets	$ 388,660
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities:	
Depreciation and amortization	331,049
Provision for bad debts	962,751
DHHS capital grant	(713,025)
Changes in operating assets and liabilities:	
Increase in patient services receivable	(793,924)
Decrease in grants and contract services receivable	47,931
Decrease in prepaid expenses and other	89,132
Increase in inventory	(8,419)
Increase in accounts payable and accrued expenses	456,711
Decrease in accrued compensation	(5,190)
Increase in refundable advances - DHHS grant	65,556
Total adjustments	432,572
Net cash provided by operating activities	$ 821,232
Supplemental Disclosure of Noncash Financing Activity:	
Capital acquisitions funded through accounts payable	$ 144,154

See Notes to Financial Statements.

Note 1. Organization

Matthew Walker Comprehensive Health Center, Inc. (the "Center") operates community health centers located in Nashville and Clarksville, Tennessee. The Center provides a broad range of health services to a largely medically underserved population.

The U.S. Department of Health and Human Services (the "DHHS") provides substantial support to the Center. The Center is obligated under the terms of the DHHS grants to comply with specified conditions and program requirements set forth by the grantor.

Note 2. Significant Accounting Policies

The Center classifies its net assets into three categories, which are unrestricted, temporarily restricted and permanently restricted.

Unrestricted net assets are reflective of revenues and expenses associated with the principal operating activities of the Center and are not subject to donor-imposed stipulations.

Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met either by actions of the Center and/or the passage of time. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of operations and changes in unrestricted net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the financial statements. The Center had no temporarily restricted net assets at January 31, 2010.

Permanently restricted net assets are subject to donor-imposed stipulations that must be maintained permanently by the Center. There were no permanently restricted net assets at January 31, 2010.

The statement of operations and changes in unrestricted net assets includes excess of revenue and support over expenses that represent the results of operations. Changes in unrestricted net assets which are excluded from excess of revenue and support over expenses, consistent with industry practice, includes contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets).

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The Center follows accounting standards established by the Financial Accounting Standards Board (the "FASB") to ensure consistent reporting of financial condition, results of operations, and cash flows. References to accounting principles generally accepted in the United States of America in these notes are to the *FASB Accounting Standards Codification*™, sometimes referred to as the "Codification" or "ASC." The Codification is effective for periods ending on or after September 15, 2009.

The Center maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Center has not experienced any losses in such accounts. All highly liquid investments held with maturities of three months or less, when purchased, are considered to be cash equivalents.

Patient services receivable are reported at their outstanding unpaid balances reduced by allowances for contractual discounts provided to third-party payors and an allowance for doubtful accounts. The Center estimates doubtful accounts based on historical bad debts, factors related to specific payors' ability to pay and current economic trends. The Center writes off accounts receivable against the allowance when a balance is determined to be uncollectible. Recoveries of accounts previously written off are recorded when received.

Note 2. Significant Accounting Policies (Continued)

Inventory consists of medical supplies and pharmaceuticals and is recorded at the lower of cost (first-in, first-out) or market. Donated pharmaceuticals are recorded at fair value on the date of donation.

Property and equipment is recorded at cost. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets, which range from 5 to 10 years for furniture, equipment and vehicle, and 40 years for building and building improvements. The Center capitalizes all purchases of property and equipment in excess of $600. Leasehold improvements are amortized over the shorter of the asset's useful life or the lease term.

Construction-in-progress is recorded at cost. Depreciation is recorded when construction is substantially complete and the asset is placed into service.

Contributions are recorded at fair value when received or pledged. Amounts are recorded as temporarily or permanently restricted revenue if they have donor stipulations that limit the use of the donated asset. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted assets are reclassified as unrestricted net assets and reported in the statement of operations and changes in unrestricted net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions expire during the same fiscal year are recognized as unrestricted revenue.

Conditional contributions are recognized in the period in which the conditions have been substantially met.

Revenue from government grants and contracts designated for use in specific activities is recognized in the period when expenditures have been incurred in compliance with the grantor's restrictions. Grants and contracts awarded for the acquisition of long-lived assets are reported as unrestricted nonoperating revenue during the fiscal year in which the assets are acquired. Cash received in excess of revenue recognized is recorded as refundable advances. At January 31, 2010, the Center has received grants and contracts from governmental entities in the aggregate amount of $322,617 that have not been recorded in the accompanying financial statements as they have not been earned. These grants and contracts require the Center to provide certain healthcare services during specified periods. If such services are not provided, the governmental entities are not obligated to expend the funds allotted under the grants and contracts.

Patient services revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered. Self-pay revenue is recorded at published charges with charitable allowances deducted to arrive at net self-pay revenue. All other patient services revenue is recorded at published charges with contractual allowances deducted to arrive at patient services, net.

Donated goods and services are recognized in the accompanying financial statements based on fair value.

Interest earned on federal funds is recorded as a payable to the Public Health Service (the "PHS") in compliance with OMB Circular A-110.

The Center was incorporated as a not-for-profit corporation under the laws of the State of Tennessee and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, there is no provision for income taxes.

On January 1, 2009, the Center adopted guidance issued by the FASB on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Center may recognize the tax benefit from an uncertain tax position only if it is "more likely than not" that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that

Note 2. Significant Accounting Policies (Continued)

has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses derecognition, classification, interest and penalties on income taxes, and accounting in interim periods.

Management evaluated the Center's tax positions and concluded that the Center had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. With few exceptions, the Center is no longer subject to income tax examinations by U.S. federal, state or local tax authorities for years before 2006, which is the standard statute of limitations look-back period.

ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosure of fair value measurements. ASC 820 applies to all assets and liabilities that are measured and reported on a fair value basis.

The Center has filed all required payroll tax returns and payroll taxes due have been paid.

The Center evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected or disclosed in the financial statements. Such evaluation is performed through the date the financial statements are available to be issued, which was April 15, 2011 for these financial statements.

Note 3. Fair Value Disclosures

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. ASC 820 requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Inputs may be observable, based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, ASC 820 establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement The Center's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

The Center has an investment in a certificate of deposit of $574,409 as of January 31, 2010 and this is considered a Level 2 investment.

Note 4. Patient Services Receivable, Net

Medicare	$ 133,389
Private insurance	110,200
Self-pay	5,320,128
Tenncare managed care plans	284,603
Medicaid managed care wraparound	1,236,721
Tennessee Department of Health - Essential Access Pool	298,528
	7,383,569
Less allowance for doubtful accounts	5,224,424
	$ 2,159,145

Note 5. Property and Equipment, Net

Land	$ 506,269
Building and improvements	5,276,525
Furniture and equipment	2,863,566
Leasehold improvements	241,879
Vehicle	24,093
Construction-in-progress	214,391
	9,126,723
Less accumulated depreciation and amortization	2,162,532
	$ 6,964,191

In the event the DHHS grants are terminated, the DHHS reserves the right to transfer all property and equipment purchased with grant funds to the PHS or third parties.

Note 6. Line of Credit and Subsequent Event

The Center has executed a line of credit for $1,000,000 expiring on September 30, 2010. This agreement requires interest to be charged at the rate of 6%. The line of credit is partially secured by the certificate of deposit owned by the Center. There was an outstanding balance of $1,000,000 due as of January 31, 2010. Subsequent to year-end, the Center extended the line of credit to May 4, 2011.

Note 7. Loan Payable

On January 21, 2006, the Center entered into a loan agreement for $3,825,000 for the building located at 1035 14th Avenue North, Nashville, Tennessee. Interest-only payments are due monthly on a fixed rate at 4.75%. The remaining $2,914,132 is due on September 30, 2010. The loan is collaterized by the related asset. Subsequent to year-end, the Center extended the due date of the loan payable to May 26, 2011.

Note 8. DHHS Grants

For the year ended January 31, 2010, the Center received the following grants from the DHHS:

Grant Number	Grant Period	Total Grant	Operating Revenue	Nonoperating Revenue
6 H80CS00710-08-04	02/01/09 - 01/31/10	$ 4,399,619	$ 4,399,619	$ -
6 H8BCS11716-01-01	03/27/09 - 03/26/11	712,163	712,163	-
6 C81CS14339-01-03	06/29/09 - 06/28/11	1,241,235	205,593	713,025
			$ 5,317,375	$ 713,025

Note 9. Patient Services, Net

For the year ended January 31, 2010, patient services revenue consists of the following:

	Gross Charges	Charitable and Contractual Allowances	Net Revenue
Medicare	$ 272,717	$ 46,643	$ 226,074
Private insurance	1,168,583	636,879	531,704
Self-pay	9,233,065	6,611,976	2,621,089
Tenncare managed care plans	2,355,567	1,641,254	714,313
	$ 13,029,932	$ 8,936,752	4,093,180
Medicaid managed care wraparound			881,368
Tennessee Department of Health - Essential Access Pool			715,347
			$ 5,689,895

Medicare and Tenncare reimburse the Center at the net reimbursement rates as determined by the programs. Reimbursement rates are subject to revisions under the provisions of the reimbursement regulations. Adjustments for such revisions are recognized in the year incurred.

Note 10. Charity Care

The Center is a not-for-profit healthcare provider established to meet the healthcare needs of area residents. The Center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Because the Center does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The Center maintains records to identify and monitor the level of charity care it provides. The amount of charity care charges provided during the year ended January 31, 2010 amounted to approximately $6,612,000.

Note 11. Contract Services and Other Grants

For the year ended January 31, 2010, contract services and other grants revenue consist of the following:

Meharry Medical College:		
Community Networks Program	$	75,431
State of Tennessee Crime Victims Assistance		33,284
State of Tennessee Department of Health:		
Project Diabetes		59,091
Infant Mortality Project		26,070
Baptist Healing Trust		45,829
United Way:		
McGruder Family Resource Center		44,871
Double Dutch Grant		20,833
United Neighborhood Health Services		21,758
Vanderbilt/Meharry grant		13,920
Other		1,427
	$	342,514

Note 12. Pension Plan

The Center has a defined contribution pension plan covering substantially all employees who meet certain eligibility requirements. The amounts contributed to the plan are a fixed percentage of the participant's compensation. Pension expense amounted to $160,980 for the year ended January 31, 2010.

Note 13. Commitments and Contingencies

The Center has contracted with various funding agencies to perform certain healthcare services and receives Medicare revenue from the federal government. Reimbursements received under these contracts and payments from Medicare are subject to audit by federal and state governments and other agencies. Upon audit, if discrepancies are discovered, the Center could be held responsible for refunding the amounts in question.

The Center maintains medical malpractice coverage under the Federal Tort Claims Act ("FTCA"). FTCA provides malpractice coverage to eligible PHS-supported programs and applies to the Center and its employees while providing services within the scope of employment included under grant-related activities. The Attorney General, through the U.S. Department of Justice, has the responsibility for the defense of the individual and/or grantee for malpractice cases approved for FTCA coverage.

The Center is involved in various claims and legal actions arising in the ordinary course of business. Management is of the opinion that the ultimate outcome of these matters would not have a material adverse impact on the financial position of the Center or the results of its operations.

The Center leases space under noncancelable operating leases. Rent expense for the year ended January 31, 2010 amounted to $57,294. Facilities leased under noncancelable operating leases require future minimum payments for the year ending January 31, 2011 of $46,200.

Note 13. Commitments and Contingencies (Continued)

The healthcare industry is subject to voluminous and complex laws and regulations of federal, state and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement laws and regulations, anti-kickback and anti-referral laws, and false claims prohibitions. In recent years, government activity has increased with respect to investigations and allegations concerning possible violations of reimbursement, false claims, anti-kickback and anti-referral statutes and regulations by healthcare providers. The Center believes that it is in material compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. Upon audit, if discrepancies are discovered, the Center could be held responsible for refunding the amounts in question.

In March 2010, President Obama signed the Patient Protection and Affordable Care Act ("PPACA") into law. PPACA will result in sweeping changes across the healthcare industry, including how care is provided and paid for. A primary goal of this comprehensive reform legislation is to extend health coverage to approximately 32,000,000 uninsured legal U.S. residents through a combination of public program expansion and private sector health insurance reforms. To fund the expansion of insurance coverage, the legislation contains measures designed to promote quality and cost efficiency in healthcare delivery and to generate budgetary savings in the Medicare and Medicaid programs. Given that the final regulations and interpretive guidelines have yet to be published, the Center is unable to fully predict the impact of PPACA on its operations and financial results. There are multiple lawsuits challenging the constitutionality of major portions of PPACA; to the extent that any significant elements of the law are overturned, additional uncertainty is introduced into the prediction of operational and financial impacts. Management of the Center is studying and evaluating the anticipated impacts and developing strategies needed to prepare for implementation.

Note 14. Pending Adoption of New Accounting Standards

In January 2010, the FASB issued ASU 2010-07, *Not-for-Profit Entities: Mergers and Acquisitions (Topic 958).* ASU 2010-07 establishes principles and requirements for accounting for mergers and acquisitions by not-for-profits, provides guidance on determining whether a business combination is a merger or an acquisition, describes the carryover method for accounting for a merger, describes the acquisition method of accounting for an acquisition, including how to determine which of the combining entities is the acquirer, and describes required financial statement disclosures. ASU 2010-07 is effective for mergers occurring after December 15, 2009, and acquisitions for which the acquisition dates is on or after the beginning of the first annual reporting period beginning on or after December 15, 2009. The Center does not expect the adoption of this pronouncement to have a significant impact on its financial statements.

In August 2010, the FASB issued ASU 2010-23, *Health Care Entities (Topic 954) - Measuring Charity Care for Disclosure.* ASU 2010-23 requires disclosure of charity care based on the healthcare provider's direct and indirect costs of providing charity care services, the method used to identify or estimate such costs, and funds received to offset or subsidize charity services provided. The disclosures required by ASU 2010-23 are effective for fiscal year beginning after December 15, 2010, and must be applied retrospectively. The Center is assessing the impact of the implementation of ASU 2010-23 on the disclosures in its financial statements.

In August 2010, the FASB issued ASU 2010-24, *Health Care Entities (Topic 954) - Presentation of Insurance Claims and Related Insurance Recoveries.* ASU 2010-24 clarifies that a healthcare entity should not net insurance recoveries against a related claim liability. Additionally, ASU 2010-24 provides that the amount of the claims liability should be determined without consideration of insurance recoveries. The provisions of ASU 2010-24 are effective for fiscal years, and interim periods within those years, beginning after December 15, 2010. Entities must apply the provisions of ASU 2010-24 by recording a cumulative-effect adjustment to opening unrestricted net assets as of the beginning of the period of adoption. Retrospective application of the provisions of ASU 2010-24 is permitted. The Center is assessing the impact of the implementation of ASU 2010-24 on its financial statements.

Note 15. Restatement

Subsequent to the issuance of the Center's 2009 financial statements, the Center identified an overstatement of patient accounts receivable in the approximate amount of $279,000 as of January 31, 2009, resulting from the misapplication of relevant facts in estimating the allowance for doubtful accounts. As a result, the Center recorded an adjustment to beginning unrestricted net assets as of February 1, 2009, to correct this error. All information presented in the financial statements and the related notes includes such restatement.

The following table sets forth the effects of the restatement adjustment on unrestricted net assets as of February 1, 2009:

Unrestricted Net Assets:	
As previously reported	$ 4,447,542
Restatement adjustment	(279,000)
As restated	$ 4,168,542