

**MATTHEW WALKER COMPREHENSIVE
HEALTH CENTER, INC.**

FINANCIAL STATEMENTS

JANUARY 31, 2005

GOLDSTEIN GOLUB KESSLER LLP

Certified Public Accountants and Consultants



MATTHEW WALKER COMPREHENSIVE HEALTH CENTER, INC.

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INTRODUCTION

Background

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

Scope of Audit

The financial audit of the Center was performed in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The audit covered the 12-month period ended January 31, 2005 and fieldwork was performed from April 18, 2005 to April 22, 2005.

The following were the principal objectives of the organization-wide audit:

- The expression of an opinion on the balance sheet as of January 31, 2005, and the related statements of operations and changes in net assets, functional expenses, and cash flows for the year then ended;
- The expression of an opinion on the schedule of expenditures of federal awards for the year ended January 31, 2005;
- The assessment of the Center's internal accounting and administrative control structures;
- The performance of cost validations of transaction costs on a test basis;
- The assessment, on a test basis, of the Center's compliance with the prescribed U.S. Department of Health and Human Services cost principles (45 CFR 74, as amended, subpart Q) for selected functional types of costs; and
- To ascertain whether costs claimed for funding under specific grants are fairly presented in conformity with the terms of the grant and related U.S. Department of Health and Human Services cost principles.



GOLDSTEIN GOLUB KESSLER LLP

Certified Public Accountants and Consultants



INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Matthew Walker Comprehensive Health Center, Inc.

We have audited the accompanying balance sheet of Matthew Walker Comprehensive Health Center, Inc. (the "Center") as of January 31, 2005, and the related statements of operations and changes in 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Matthew Walker Comprehensive Health Center, Inc. as of January 31, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2005 on our consideration of Matthew Walker Comprehensive Health Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Goldstein Golub Kessler LLP

GOLDSTEIN GOLUB KESSLER LLP

April 22, 2005

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MATTHEW WALKER COMPREHENSIVE HEALTH CENTER, INC.

BALANCE SHEET

January 31, 2005

ASSETS

Current Assets:	
Cash	\$ 152,460
Patient accounts receivable, net (Note 3)	835,002
Grants receivable - DHHS	49,998
Contract services receivable	81,406
Prepaid expenses and other current assets	224,932
Pledges receivable - current portion (Note 5)	151,620
Total current assets	1,495,418
Property, Plant and Equipment, net (Note 4)	7,024,217
Pledges Receivable (Note 5)	107,000
Total Assets	\$8,626,635

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable and accrued expenses	\$ 733,061
Accrued compensation	362,151
Loan payable - current portion (Note 6)	112,398
Total current liabilities	1,207,610
Loan Payable, less current maturities (Note 6)	3,524,435
Total liabilities	4,732,045
Commitments and Contingencies (Notes 4, 8, 11 and 12)	
Unrestricted Net Assets	3,894,590
Total Liabilities and Net Assets	\$8,626,635

See Notes to Financial Statements

MATTHEW WALKER COMPREHENSIVE HEALTH CENTER, INC.

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

Year ended January 31, 2005

	Unrestricted	Temporarily Restricted	Total
Revenue:			
DHHS grants (Note 7)	\$3,936,847		\$3,936,847
Patient services, net (Note 8)	3,493,948		3,493,948
Contract services (Note 9)	158,333		158,333
Donated pharmaceuticals	263,078		263,078
Other	100,455		100,455
Total revenue	7,952,661		7,952,661
Expenses:			
Salaries and benefits	4,815,784		4,815,784
Other than personnel services	2,553,225		2,553,225
Interest expense	33,697		33,697
Provision for bad debts	522,000		522,000
Total expenses	7,924,706		7,924,706
Operating income prior to depreciation	27,955		27,955
Depreciation	267,727		267,727
Operating loss prior to nonoperating revenue	(239,772)		(239,772)
Nonoperating revenue:			
DHHS grants (Note 7)	126,716		126,716
Contributions - capital campaign (Note 10)	196,592		196,592
Net assets released from restrictions for capital campaign	143,194	\$(143,194)	
Total nonoperating revenue	466,502	(143,194)	323,308
Increase (decrease) in net assets	226,730	(143,194)	83,536
Net assets at beginning of year	3,667,860	143,194	3,811,054
Net assets at end of year	\$3,894,590	\$ - 0 -	\$3,894,590

See Notes to Financial Statements

MATTHEW WALKER COMPREHENSIVE HEALTH CENTER, INC.**STATEMENT OF FUNCTIONAL EXPENSES****Year ended January 31, 2005**

	Program Services	General and Administrative	Total
Salaries and wages	\$3,252,717	\$ 823,601	\$4,076,318
Fringe benefits	590,060	149,406	739,466
Healthcare consultants	292,317		292,317
Consultants and contractual services	205,085	56,598	261,683
Professional fees		29,844	29,844
Laboratory fees	235,381		235,381
Consumable supplies	824,123	86,248	910,371
Occupancy	194,443	52,059	246,502
Insurance	12,994	23,424	36,418
Equipment rental and maintenance	89,808	32,899	122,707
Telephone	26,671	21,029	47,700
Travel, conferences and meetings	61,420	32,078	93,498
Dues and subscriptions	22,145	32,639	54,784
Printing, publications and postage	17,427	89,143	106,570
Interest	24,663	9,034	33,697
Provision for bad debts	522,000		522,000
Other	22,970	92,480	115,450
	6,394,224	1,530,482	7,924,706
Depreciation	168,743	98,984	267,727
Total functional expenses	\$6,562,967	\$1,629,466	\$8,192,433

See Notes to Financial Statements

MATTHEW WALKER COMPREHENSIVE HEALTH CENTER, INC.

STATEMENT OF CASH FLOWS

Year ended January 31, 2005

Cash flows from operating activities:	
Cash received from DHHS grants	\$ 4,046,866
Cash received from patient services	2,964,900
Cash received from contract services	129,456
Cash received from contributions	534,535
Cash received from other	100,455
Cash paid for operations	(7,637,602)
Cash paid for interest	(33,697)
Net cash provided by operating activities	104,913
Cash flows used in investing activity - purchase of property and equipment	(4,533,350)
Cash flows from financing activities:	
Proceeds from loan payable	3,650,641
Payments on loan payable	(13,808)
Net cash provided by financing activities	3,636,833
Net decrease in cash	(791,604)
Cash at beginning of year	944,064
Cash at end of year	\$ 152,460

Reconciliation of increase in net assets to net cash provided by operating activities:

Increase in net assets	\$ 83,536
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	267,727
Provision for bad debts	522,000
Changes in operating assets and liabilities:	
Increase in patient accounts receivable	(529,048)
Increase in grants receivable - DHHS	(16,697)
Increase in contract services receivable	(28,877)
Increase in prepaid expenses and other current assets	(84,501)
Decrease in pledges receivable	108,562
Decrease in accounts payable and accrued expenses	(275,154)
Increase in accrued compensation	57,365
Total adjustments	21,377
Net cash provided by operating activities	\$ 104,913

See Notes to Financial Statements

MATTHEW WALKER COMPREHENSIVE HEALTH CENTER, INC.

NOTES TO FINANCIAL STATEMENTS January 31, 2005

- 1. ORGANIZATION:** Matthew Walker Comprehensive Health Center, Inc. (the "Center") operates a community health center located in Nashville, 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.

**2. SIGNIFICANT
ACCOUNTING
POLICIES:**

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 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.

Patient accounts receivable are reported at their outstanding unpaid principal balances reduced by 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.

Pledges (promises to give) are enforceable, but unsecured and principally derived from individuals, corporations and foundations.

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 equipment and vehicle and 40 years for building and building improvements.

Contributions are recorded as either temporarily or permanently restricted revenue if they are received with 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 to unrestricted net assets and reported in the statement of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions expire during the same fiscal year are recognized as unrestricted revenue.

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, in the absence of donor stipulations to the contrary, during the fiscal year in which the assets are acquired. Cash received in excess of revenue

MATTHEW WALKER COMPREHENSIVE HEALTH CENTER, INC.

NOTES TO FINANCIAL STATEMENTS January 31, 2005

recognized is recorded as refundable advances. At January 31, 2005, the Center has received conditional grants and contracts from governmental entities in the aggregate amount of \$529,565 that have not been recorded in these financial statements. These grants and contracts require the Center to provide certain healthcare services during specified periods. If such services are not provided during the periods, 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 are recognized in the accompanying financial statements when they are specifically identifiable and can be objectively valued in monetary terms.

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.

3. PATIENT ACCOUNTS RECEIVABLE, NET:

Patient accounts receivable consists of the following:

Medicare	\$ 63,112
Private insurance	156,802
Self-pay	1,469,644
TennCare managed care plans	125,239
Medicaid managed care wraparound	292,384
	<hr/>
	2,107,181
Less allowance for doubtful accounts	1,272,179
	<hr/>
Patient accounts receivable, net	\$ 835,002

4. PROPERTY AND EQUIPMENT, NET:

Property and equipment, net consists of the following:

Land	\$ 486,632
Building and improvements	5,691,068
Furniture and equipment	2,159,175
Vehicle	73,275
Land and building - idle	1,450,810
	<hr/>
	9,860,960
Less accumulated depreciation	2,836,743
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Property and equipment, net	\$7,024,217

MATTHEW WALKER COMPREHENSIVE HEALTH CENTER, INC.

NOTES TO FINANCIAL STATEMENTS January 31, 2005

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.

5. PLEDGES RECEIVABLE:

The Center received promises to give from various individuals, corporations and foundations for their capital campaign. The aggregate amount of future receivables is as follows:

Year ending January 31,

2006	\$151,620
2007	29,000
2008	29,000
2009	29,000
2010	20,000

\$258,620

6. LONG-TERM DEBT:

Long-term debt consists of the following:

Loan payable - on January 31, 2005, the Center entered into a loan agreement for \$3,825,000 for the new building located at 1035 14th Avenue North. Interest payments are due monthly based on the fixed rate (4.75% at January 31, 2005). The remaining balance is due in full on December 15, 2009.

\$3,636,833

Less current maturities

112,398

Long-term debt

\$3,524,435

The aggregate amount of principal payments on long-term debt during the years following January 31, 2005 is as follows:-

Year ending January 31,

2006	\$ 112,398
2007	117,933
2008	123,739
2009	129,379
2010	3,153,384

\$3,636,833

MATTHEW WALKER COMPREHENSIVE HEALTH CENTER, INC.

NOTES TO FINANCIAL STATEMENTS January 31, 2005

7. **DHHS GRANTS:** For the year ended January 31, 2005, the Center received the following grants from the DHHS:

Grant Number	Grant Period	Grant Amount	Unrestricted Amount Recognized
6H80CS00710-03-01	02/01/04 - 01/31/05	\$2,980,624	\$2,980,624
U50/CCU422173-02	09/30/03 - 09/28/04	947,103	546,227
U50/CCU422173-03	09/30/04 - 09/29/05	924,372	409,996
1C76HF00760-01-00	09/01/03 - 08/31/04	442,605	126,716
			<u>\$4,063,563</u>

Grant number 1C76HF00760-01-00 is recognized on the financial statements as nonoperating revenue.

8. **PATIENT SERVICES, NET:** For the year ended January 31, 2005, patient services revenue consists of the following:

	Gross Charges	Charitable and Contractual Allowance	Net Revenue
Medicare	\$ 358,118	\$ 19,764	\$ 338,354
Private insurance	661,899	248,305	413,594
Self-pay	4,806,509	3,039,698	1,766,811
TennCare managed care plans	1,155,876	685,420	470,456
	6,982,402	3,993,187	2,989,215
Medicaid managed care wraparound			504,733
Patient services, net			<u>\$3,493,948</u>

Medicare and TennCare revenue is reimbursed to the Center at the net reimbursement rates as determined by the program. Reimbursement rates are subject to revisions under the provisions reimbursement regulations. Adjustments for such revisions are recognized in the year incurred.

9. **CONTRACT SERVICES:** For the year ended January 31, 2005, contract services and other grants revenue consist of the following:

Southern Community Cohort:	
Passed through Meharry Medical College	\$ 77,318
State of Tennessee Crime Victim Assistance	35,535
McGruder Family Resource Center	45,480
	<u>\$158,333</u>

MATTHEW WALKER COMPREHENSIVE HEALTH CENTER, INC.

NOTES TO FINANCIAL STATEMENTS January 31, 2005

10. CAPITAL CAMPAIGN:

For the year ended January 31, 2005, the Center has received signed pledges and contributions related to the capital campaign, which consist of the following:

Vanderbilt University Medical Center	\$100,000
AmSouth Bank	25,000
Other	71,592
	<hr/>
	\$196,592

11. 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 \$107,135 for the year ended January 31, 2005.

12. 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.



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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

The Board of Directors
Matthew Walker Comprehensive Health Center, Inc.

We have audited the basic financial statements of Matthew Walker Comprehensive Health Center, Inc. for the year ended January 31, 2005, and those statements, together with our opinion thereon, appear in the preceding section of this report. Our audit was conducted for the purpose of forming an opinion on those basic financial statements taken as a whole. The accompanying statement of operations by federal program is the responsibility of management and is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Goldstein Golub Kessler LLP

GOLDSTEIN GOLUB KESSLER LLP

April 22, 2005

**MATTHEW WALKER COMPREHENSIVE
HEALTH CENTER, INC.**

**INTERNAL CONTROLS AND
COMPLIANCE SECTION**

JANUARY 31, 2005

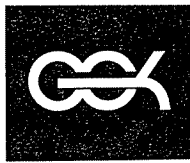
MATTHEW WALKER COMPREHENSIVE HEALTH CENTER, INC.

SUPPLEMENTARY INFORMATION

SCHEDULE OF OPERATIONS BY FEDERAL PROGRAM

Year ended January 31, 2005

	Community Health Center	Reach Grant	Health Care and Other Facilities	Total
Revenue:				
DHHS grants	\$2,980,624	\$956,223		\$3,936,847
Patient services, net	3,493,948			3,493,948
Contract services	158,333			158,333
Donated pharmaceuticals	263,078			263,078
Other	100,455			100,455
Total revenue	6,996,438	956,223		7,952,661
Expenses:				
Salaries and benefits	4,268,018	547,766		4,815,784
Other than personnel services	2,144,768	408,457		2,553,225
Interest expense	33,697			33,697
Provision for bad debts	522,000			522,000
Total expenses	6,968,483	956,223		7,924,706
Operating income prior to depreciation	27,955			27,955
Depreciation	267,727			267,727
Operating loss prior to nonoperating revenue	(239,772)			(239,772)
Nonoperating revenue:				
DHHS grant			\$126,716	126,716
Contributions - capital campaign	196,592			196,592
Total nonoperating revenue	196,592		126,716	323,308
Increase (decrease) in net assets	\$ (43,180)	\$ - 0 -	\$126,716	\$ 83,536



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

The Board of Directors
Matthew Walker Comprehensive Health Center, Inc.

We have audited the financial statements of Matthew Walker Comprehensive Health Center, Inc. (the "Center") as of and for the year ended January 31, 2005, and have issued our report thereon dated April 22, 2005. 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 the Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters - As part of obtaining reasonable assurance about whether the Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

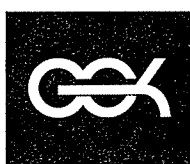
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April 22, 2005

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Board of Directors
Matthew Walker Comprehensive Health Center, Inc.

Compliance - We have audited the compliance of Matthew Walker Comprehensive Health Center, Inc. (the "Center") with the types of compliance requirements described in the *U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended January 31, 2005. The Center's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Center's management. Our responsibility is to express an opinion on the Center's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Center's compliance with those requirements.

In our opinion, the Center complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended January 31, 2005.

Internal Control over Compliance - The management of the Center is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Center's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.



Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be material weaknesses.

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

Goldstein Golub Kessler LLP

GOLDSTEIN GOLUB KESSLER LLP

April 22, 2005

MATTHEW WALKER COMPREHENSIVE HEALTH CENTER, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
January 31, 2005

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?
- Reportable condition(s) identified that are not considered to be material weaknesses?

___ yes √ no

___ yes √ none reported

Noncompliance material to financial statements noted?

___ yes √ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?
- Reportable condition(s) identified that are not considered to be material weakness(es)?

___ yes √ no

___ yes √ none reported

Type of auditor's report issued on compliance for major programs:

Unqualified

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

___ yes √ no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

93.224

United States Department of Health and Human Services:
Consolidated Health Centers cluster

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

√ yes ___ no

Section II - Financial Statement Findings

None

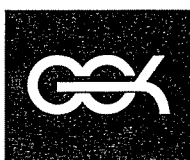
Section III - Federal Award Findings and Questioned Costs

None

MATTHEW WALKER COMPREHENSIVE HEALTH CENTER, INC.

STATUS OF PRIOR-YEAR'S FINDINGS
January 31, 2005

There were no prior-year's findings.



GOLDSTEIN GOLUB KESSLER LLP

Certified Public Accountants and Consultants



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Board of Directors
Matthew Walker Comprehensive Health Center, Inc.

We have audited the basic financial statements of Matthew Walker Comprehensive Health Center, Inc. for the year ended January 31, 2005, and those statements, together with our opinion thereon, appear in the first section of this report. Our audit was conducted for the purpose of forming an opinion on those basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Goldstein Golub Kessler LLP

GOLDSTEIN GOLUB KESSLER LLP

April 22, 2005

MATTHEW WALKER COMPREHENSIVE HEALTH CENTER, INC.

SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended January 31, 2005

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Total Expenditures
U.S. Department of Health and Human Services:			
Direct programs:			
Consolidated Health Centers cluster	93.224	N/A	\$2,980,624
Assistance Program for Chronic			
Disease Prevention and Control	93.945	N/A	956,223
Health Care and Other Facilities	93.887	N/A	115,571
Total U.S. Department of Health and Human Services			4,052,418
U.S. Department of Justice:			
Passed through Tennessee Department of Health:			
Crime Victim Assistance	16.575	Not Available	35,535
Total federal awards			\$4,087,953

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Center and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements.

Note 2: Subrecipients

Of the federal expenditures presented in the schedule, the Center provided no federal awards to subrecipients.