



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

FINANCIAL STATEMENTS

JANUARY 31, 2004

GOLDSTEIN GOLUB KESSLER LLP

Certified Public Accountants and Consultants



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, 2004 and fieldwork was performed from April 19, 2004 to April 23, 2004.

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

- The expression of an opinion on the balance sheet as of January 31, 2004, 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, 2004;
- 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, 2004, 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, 2004, 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 23, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Goldstein Golub Kessler LLP

GOLDSTEIN GOLUB KESSLER LLP

April 23, 2004

MATTHEW WALKER COMPREHENSIVE HEALTH CENTER, INC.

BALANCE SHEET

January 31, 2004

ASSETS

Current Assets:

Cash	\$ 944,064
Patient accounts receivable, net (Note 3)	828,038
Grants receivable - DHHS	33,301
Contract services receivable	52,445
Prepaid expenses and other current assets	140,431

Total current assets	1,998,279
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Property, Plant and Equipment, net of accumulated depreciation of \$2,569,016 (Note 4)	2,758,594
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Pledges Receivable (Note 5)	367,182
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Total Assets	\$5,124,055
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable and accrued expenses	\$1,008,215
Accrued compensation	304,786

Total current liabilities	1,313,001
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Commitments and Contingencies (Notes 4, 6, 8, 11 and 12)

Net Assets:

Unrestricted	3,667,860
Temporarily restricted - capital campaign	143,194

Total net assets	3,811,054
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Total Liabilities and Net Assets	\$5,124,055
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See Notes to Financial Statements

MATTHEW WALKER COMPREHENSIVE HEALTH CENTER, INC.

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

Year ended January 31, 2004

	Unrestricted	Temporarily Restricted	Total
Revenue:			
DHHS grants (Note 7)	\$3,954,566		\$3,954,566
Patient services, net (Note 8)	3,125,306		3,125,306
Contract services (Note 9)	150,522		150,522
Donated pharmaceuticals	132,058		132,058
Other	102,600		102,600
Total revenue	7,465,052		7,465,052
Expenses:			
Salaries and benefits	4,505,776		4,505,776
Other than personnel services	2,544,560		2,544,560
Provision for bad debts	187,000		187,000
Total expenses	7,237,336		7,237,336
Operating income prior to depreciation	227,716		227,716
Depreciation	222,404		222,404
Operating income prior to nonoperating revenue	5,312		5,312
Nonoperating revenue:			
DHHS grants (Note 7)	327,034		327,034
Contributions - capital campaign (Note 10)	260,768		260,768
Net assets released from restrictions for capital campaign	836,298	\$(836,298)	
Total nonoperating revenue	1,424,100	(836,298)	587,802
Increase (decrease) in net assets	1,429,412	(836,298)	593,114
Net assets at beginning of year	2,238,448	979,492	3,217,940
Net assets at end of year	\$3,667,860	\$ 143,194	\$3,811,054

See Notes to Financial Statements

MATTHEW WALKER COMPREHENSIVE HEALTH CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended January 31, 2004

	Program Services	General and Administrative	Total
Salaries and wages	\$2,971,276	\$ 875,259	\$3,846,535
Fringe benefits	514,861	144,380	659,241
Healthcare consultants	358,113		358,113
Consultants and contractual services	327,092	10,703	337,795
Professional fees		32,452	32,452
Laboratory fees	268,268		268,268
Consumable supplies	777,263	60,361	837,624
Occupancy	163,869	53,746	217,615
Insurance	12,417	21,855	34,272
Equipment rental and maintenance	83,869	61,146	145,015
Telephone	26,918	21,263	48,181
Travel, conferences and meetings	59,660	24,573	84,233
Dues and subscriptions	12,138	32,784	44,922
Printing, publications and postage	35,359	46,776	82,135
Provision for bad debts	187,000		187,000
Other	12,053	41,882	53,935
	5,810,156	1,427,180	7,237,336
Depreciation	159,358	63,046	222,404
Total functional expenses	\$5,969,514	\$1,490,226	\$7,459,740

See Notes to Financial Statements

MATTHEW WALKER COMPREHENSIVE HEALTH CENTER, INC.

STATEMENT OF CASH FLOWS

Year ended January 31, 2004

Cash flows from operating activities:	
Cash received from DHHS grants	\$ 4,211,590
Cash received from patient services	2,768,096
Cash received from contract services	154,865
Cash received from contributions	1,056,481
Cash received from other	102,600
Cash paid for operations	(6,713,324)
Net cash provided by operating activities	1,580,308
Cash flows used in investing activity - purchase of property and equipment	(1,472,571)
Net increase in cash	107,737
Cash at beginning of year	836,327
Cash at end of year	\$ 944,064

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

Increase in net assets	\$ 593,114
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	222,404
Provision for bad debts	187,000
Changes in operating assets and liabilities:	
Increase in patient accounts receivable	(357,210)
Increase in grants receivable	(33,301)
Decrease in contract services receivable	4,343
Increase in prepaid expenses and other current assets	(9,528)
Decrease in pledges receivable	663,655
Increase in accounts payable and accrued expenses	313,560
Increase in accrued compensation	32,980
Decrease in refundable advances - DHHS	(36,709)
Total adjustments	987,194
Net cash provided by operating activities	\$ 1,580,308

See Notes to Financial Statements

MATTHEW WALKER COMPREHENSIVE HEALTH CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

January 31, 2004

- 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.

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

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

MATTHEW WALKER COMPREHENSIVE HEALTH CENTER, INC.

NOTES TO FINANCIAL STATEMENTS January 31, 2004

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 recognized is recorded as refundable advances. At January 31, 2004, the Center has received conditional grants and contracts from governmental entities in the aggregate amount of \$657,027 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 consist of the following:

Medicare	\$ 42,765
Private insurance	154,599
Self-pay	882,848
TennCare managed care plans	91,630
Medicaid managed care wraparound	406,375
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	1,578,217
Less allowance for doubtful accounts	750,179
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Patient accounts receivable, net	\$ 828,038

MATTHEW WALKER COMPREHENSIVE HEALTH CENTER, INC.

NOTES TO FINANCIAL STATEMENTS January 31, 2004

4. PROPERTY AND EQUIPMENT, NET:

Property and equipment, net consists of the following:

Land	\$ 637,442
Building and improvements	1,785,463
Furniture and equipment	1,463,025
Vehicle	73,275
Construction-in-progress	1,368,405
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	5,327,610
Less accumulated depreciation	2,569,016
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Property and equipment, net	\$2,758,594

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,

2005	\$251,182
2006	104,000
2007	4,000
2008	4,000
2009	4,000
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	\$367,182

6. LINE OF CREDIT:

The Center has one revolving line of credit totaling \$3,825,000 with Citizens Bank of Trust. Interest on the line of credit is payable at the prime rate, 4.00% at January 31, 2004. Payment is due on demand. As of January 31, 2004, there was no outstanding balance. Upon completion of a new building that is in the process of being built, the line of credit shall convert from a draw note to a term note and shall be repaid in monthly payments of principal reductions plus interest in an amount which would be necessary to amortize the unpaid principal balance as of the conversion date over a 20-year period.

MATTHEW WALKER COMPREHENSIVE HEALTH CENTER, INC.

NOTES TO FINANCIAL STATEMENTS January 31, 2004

- 7. DHHS GRANTS:** For the year ended January 31, 2003, the Center received the following grants from the DHHS:

Grant Number	Grant Period	Grant Amount	Unrestricted Amount Recognized
6H80CS00710-02-01	02/01/03 - 01/31/04	\$2,934,771	\$2,934,771
U50/CCU422173-01	09/30/02 - 09/29/03	962,103	561,227
U50/CCU422173-02	09/30/03 - 09/29/04	947,103	458,568
1C76HF00760-01-00	09/01/03 - 08/31/04	442,605	327,034
			\$4,281,600

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

- 8. PATIENT SERVICES, NET:** For the year ended January 31, 2004, patient services revenue consists of the following:

	Gross Charges	Charitable and Contractual Allowance	Net Revenue
Medicare	\$ 417,185	\$ 112,579	\$ 304,606
Private insurance	752,047	295,822	456,225
Self-pay	3,925,726	2,709,663	1,216,063
TennCare managed care plans	1,146,195	747,419	398,776
	6,241,153	3,865,483	2,375,670
Medicaid managed care wraparound			749,636
Patient services, net			\$3,125,306

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.

MATTHEW WALKER COMPREHENSIVE HEALTH CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

January 31, 2004

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- 9. CONTRACT SERVICES:** For the year ended January 31, 2004, contract services and other grants revenue consist of the following:
- | | |
|--|-----------|
| Southern Community Cohort: | |
| Passed through Meharry Medical College | \$ 89,744 |
| State of Tennessee Crime Victim Assistance | 32,447 |
| Other | 28,331 |
| | <hr/> |
| | \$150,522 |
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- 10. CAPITAL CAMPAIGN:** For the year ended January 31, 2004, the Center has received signed pledges and contributions related to the capital campaign, which consist of the following:
- | | |
|-----------------------------------|-----------|
| HCA Foundation | \$100,000 |
| Joe C. Davis Foundation | 100,000 |
| Sun Trust Bank | 20,000 |
| Tennessee Breast Cancer Coalition | 10,000 |
| Other | 30,768 |
| | <hr/> |
| | \$260,768 |
-
- 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 \$97,193 for the year ended January 31, 2004.
- 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.

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

**INTERNAL CONTROLS AND
COMPLIANCE SECTION**

JANUARY 31, 2004



GOLDSTEIN GOLUB KESSLER LLP

Certified Public Accountants and Consultants



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, 2004, 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 23, 2004

MATTHEW WALKER COMPREHENSIVE HEALTH CENTER, INC.

SUPPLEMENTARY INFORMATION

SCHEDULE OF OPERATIONS BY FEDERAL PROGRAM

Year ended January 31, 2004

	Community Health Center	Reach Grant	Health Care and Other Facilities	Total
Revenue:				
DHHS grants	\$2,934,771	\$1,019,795		\$3,954,566
Patient services, net	3,125,306			3,125,306
Contract services	150,522			150,522
Donated pharmaceuticals	132,058			132,058
Other	102,600			102,600
Total revenue	6,445,257	1,019,795		7,465,052
Expenses:				
Salaries and benefits	3,990,053	515,723		4,505,776
Other than personnel services	2,044,030	500,530		2,544,560
Provision for bad debts	187,000			187,000
Total expenses	6,221,083	1,016,253		7,237,336
Operating income prior to depreciation	224,174	3,542		227,716
Depreciation	218,862	3,542		222,404
Operating income prior to nonoperating revenue	5,312			5,312
Nonoperating revenue:				
DHHS grant			\$327,034	327,034
Contributions - capital campaign	260,768			260,768
Total nonoperating revenue	260,768		327,034	587,802
Increase in net assets	\$ 266,080	\$ - 0 -	\$327,034	\$ 593,114



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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING 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, 2004, and have issued our report thereon dated April 23, 2004. 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.

Compliance - 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 that are required to be reported under *Government Auditing Standards*.

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 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.

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 23, 2004

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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, 2004. The Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the 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, 2004.

Internal Control over Compliance - The management of the Center is responsible for establishing and maintaining effective internal control structure 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 23, 2004

MATTHEW WALKER COMPREHENSIVE HEALTH CENTER, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS January 31, 2004

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 √ no

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

93.945
93.887

United States Department of Health and Human Services:
Assistance Programs for Chronic Disease Prevention and Control
Health Care and Other Facilities

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, 2004

There was 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, 2004, 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 23, 2004

MATTHEW WALKER COMPREHENSIVE HEALTH CENTER, INC.**SUPPLEMENTARY INFORMATION****SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year ended January 31, 2004

Federal Grantor/ Pass-through Grantor/ Program Title	CFDA Number	Pass-through Grantor's Number	Federal Expenditures
U.S. Department of Health and Human Services:			
Direct programs:			
Community Health Centers program	93.224	N/A	\$2,934,771
Assistance Program for Chronic Disease Prevention and Control	93.945	N/A	1,019,795
Health Care and Other Facilities	93.887	N/A	327,034
Total U.S. Department of Health and Human Services			4,281,600
U.S. Department of Justice:			
Passed through Tennessee Department of Health:			
Crime Victim Assistance	16.575	Z00004859-02	39,810
Total federal awards			\$4,321,410