

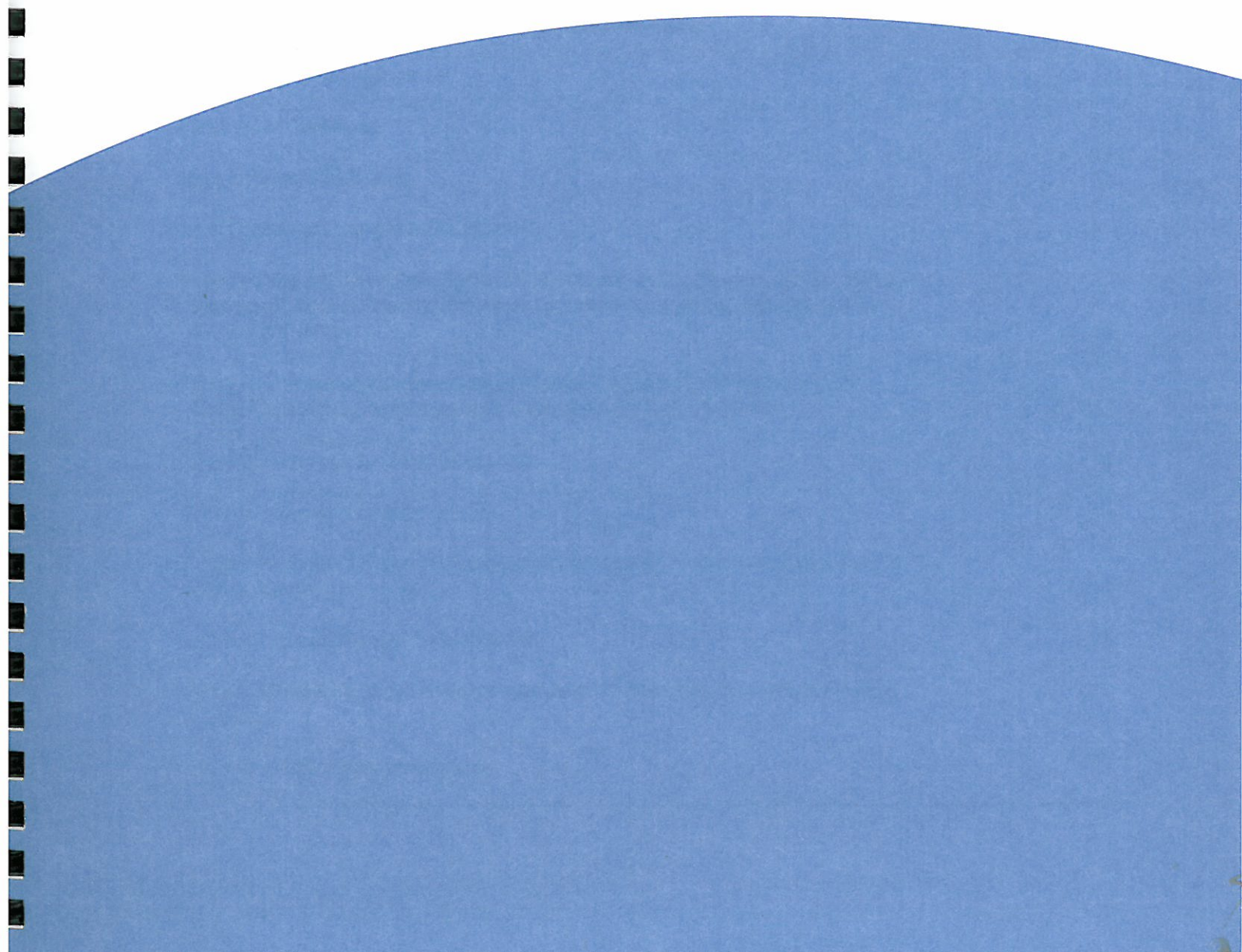
McGladrey & Pullen

Certified Public Accountants

Matthew Walker Comprehensive Health Center, Inc.

Financial Report in Accordance with *Government Auditing Standards*
and OMB Circular A-133

January 31, 2009



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Introduction

Background

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.

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, 2009 and fieldwork was performed from May 4, 2009 to May 8, 2009.

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

- The expression of an opinion on the balance sheet as of January 31, 2009, and the related statements of operations and changes in unrestricted net assets, functional expenses, and cash flows for the year then ended;
- The expression of an opinion on the schedules of expenditures of federal and state awards for the year ended January 31, 2009;
- 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.

McGladrey & Pullen

Certified Public Accountants

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, 2009, 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 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, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2010 on our consideration of Matthew Walker Comprehensive Health Center, Inc.'s internal control over financial reporting and 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.

McGladrey & Pullen, LLP

New York, New York
June 25, 2010

Matthew Walker Comprehensive Health Center, Inc.

Balance Sheet
January 31, 2009

ASSETS

Current Assets:

Cash	\$ 39,613
Certificate of deposit (Note 3)	556,328
Patient services receivable, net (Note 4)	2,606,972
Grants and contract services receivable	117,213
Prepaid expenses and other	120,565
Inventory	499,039

Total current assets 3,939,730

Property and Equipment, net (Note 5) 6,566,045

Total assets \$ 10,505,775

LIABILITIES AND UNRESTRICTED NET ASSETS

Current Liabilities:

Bank overdraft	\$ 682,983
Line of credit (Note 6)	1,000,000
Accounts payable and accrued expenses	895,862
Accrued compensation	443,658
Loan payable - current maturities of long-term debt (Note 7)	3,035,730

Total current liabilities 6,058,233

Commitments and Contingencies (Notes 5, 9, 11 and 12)

Unrestricted Net Assets 4,447,542

Total liabilities and unrestricted net assets \$ 10,505,775

See Notes to Financial Statements.

Matthew Walker Comprehensive Health Center, Inc.

Statement of Operations and Changes in Unrestricted Net Assets
Year Ended January 31, 2009

Unrestricted Revenue:	
DHHS grants (Note 8)	\$ 4,284,629
Patient services, net (Note 9)	7,061,764
Contract services and other grants (Note 10)	237,958
Donated pharmaceuticals	151,407
Contributions and other	118,101
	<hr/>
Total unrestricted revenue	11,853,859
	<hr/>
Expenses:	
Salaries and benefits	7,168,888
Other than personnel services	3,205,075
Provision for bad debts	1,372,245
Interest expense	171,804
	<hr/>
Total expenses	11,918,012
	<hr/>
Operating loss prior to depreciation and amortization	(64,153)
	<hr/>
Depreciation and Amortization	331,650
	<hr/>
Decrease in unrestricted net assets	(395,803)
	<hr/>
Unrestricted Net Assets:	
Beginning	4,843,345
	<hr/>
Ending	\$ 4,447,542
	<hr/>

See Notes to Financial Statements.

Matthew Walker Comprehensive Health Center, Inc.

Statement of Functional Expenses
Year Ended January 31, 2009

	Program Services	General and Administrative	Total
Salaries and wages	\$ 4,888,822	\$ 1,289,582	\$ 6,178,404
Fringe benefits	748,651	241,833	990,484
Healthcare consultants	387,944	-	387,944
Consultants and professional fees	51,325	125,178	176,503
Laboratory fees	425,065	-	425,065
Consumable supplies	897,377	139,892	1,037,269
Occupancy	286,648	55,668	342,316
Insurance	19,259	20,610	39,869
Equipment rental, repairs and maintenance	129,269	121,756	251,025
Telephone	72,524	40,819	113,343
Travel, conferences and meetings	82,824	49,776	132,600
Dues and subscriptions	20,444	33,670	54,114
Printing, publications and postage	48,165	55,812	103,977
Interest	106,582	65,222	171,804
Provision for bad debts	1,372,245	-	1,372,245
Other	74,698	66,352	141,050
	9,611,842	2,306,170	11,918,012
Depreciation and amortization	278,419	53,231	331,650
Total functional expenses	\$ 9,890,261	\$ 2,359,401	\$ 12,249,662

See Notes to Financial Statements.

Matthew Walker Comprehensive Health Center, Inc.

Statement of Cash Flows
Year Ended January 31, 2009

Cash Flows From Operating Activities:	
Cash received from DHHS grants	\$ 4,284,629
Cash received from patient services	4,302,507
Cash received from contract services	237,557
Cash received from contributions and other	298,148
Cash paid for operations	(10,527,958)
Cash paid for interest	(171,804)
Net cash used in operating activities	(1,576,921)
Cash Flows From Investing Activities:	
Purchase of property and equipment	(67,152)
Purchase of certificate of deposit	(556,328)
Net cash used in investing activities	(623,480)
Cash Flows From Financing Activities:	
Proceeds from line of credit	1,001,385
Cash received from bank overdraft	682,983
Principal payments on line of credit	(351,385)
Principal payments on long-term borrowings	(128,852)
Net cash provided by financing activities	1,204,131
Net decrease in cash	(996,270)
Cash:	
Beginning	1,035,883
Ending	<u>\$ 39,613</u>
Reconciliation of Decrease in Unrestricted Net Assets to Net Cash Used in Operating Activities:	
Decrease in unrestricted net assets	\$ (395,803)
Adjustments to reconcile decrease in unrestricted net assets to net cash used in operating activities:	
Depreciation and amortization	331,650
Provision for bad debts	1,372,245
Changes in operating assets and liabilities:	
Increase in patient services receivable	(2,759,257)
Increase in grants and contract services receivable	(401)
Increase in prepaid expenses and other	(14,228)
Decrease in pledges receivable	28,640
Decrease in inventory	34,461
Decrease in accounts payable and accrued expenses	(93,743)
Decrease in accrued compensation	(80,485)
Total adjustments	(1,181,118)
Net cash used in operating activities	\$ (1,576,921)

See Notes to Financial Statements.

Matthew Walker Comprehensive Health Center, Inc.

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 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. 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 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. Recoveries of accounts previously written off are recorded when received.

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 equipment and vehicle, and 40 years for building and building improvements. The Center capitalizes all purchases of property and equipment in excess of \$600.

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 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.

Matthew Walker Comprehensive Health Center, Inc.

Notes to Financial Statements

Note 2. Significant Accounting Policies (Continued)

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 recognized is recorded as refundable advances. At January 31, 2009, the Center has received conditional grants and contracts from governmental entities in the aggregate amount of \$2,142,315 that has 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 allocated 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.

Interest earned on federal funds is recorded as a payable to the Public Health Service (the "PHS") in compliance with Office of Management and Budget ("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.

In June 2006, the Financial Accounting Standards Board (the "FASB") issued FASB Interpretation No. 48 ("FIN 48"), *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109*. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken or expected to be taken on a tax return, including positions that the organization is exempt from income taxes or not subject to income taxes on unrelated business income. If there are changes in net assets as a result of application of FIN 48, these will be accounted for as an adjustment to the opening balance of net assets. Additional disclosures about the amounts of such liabilities will be required also. The Center presently discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable, respectively, that a liability has been incurred for unrecognized income tax benefits by applying FASB Statement No. 5, *Accounting for Contingencies*. The Center has elected to defer the application of FIN 48 in accordance with FASB Staff Position ("FSP") FIN 48-3. This FSP defers the effective date of FIN 48 for nonpublic enterprises, such as the Center, included within its scope to the annual financial statements for fiscal years beginning after December 15, 2008. The Center will be required to adopt FIN 48 in its 2009 annual financial statements. Management is currently assessing the impact of FIN 48 on its financial position and results of operations and has not determined if the adoption of FIN 48 will have a material effect on its financial statements.

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 and/or disclosed in the financial statements. Such evaluation is performed through the date the financial statements were issued, which was June 25, 2010 for these financial statements.

Matthew Walker Comprehensive Health Center, Inc.

Notes to Financial Statements

Note 3. Investments

The Center records its investments at fair value. Guidance provided by the FASB defines fair value, establishes a framework for measuring fair value, sets out a fair value hierarchy and expands disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Center utilizes valuation techniques to maximize the use of observable inputs and minimize the use of unobservable inputs. Assets and liabilities recorded at fair value are categorized within the fair value hierarchy based upon the level of judgment associated with the inputs used to measure their value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

- Level 1: Unadjusted quoted prices for identical assets or liabilities in active markets that the Center has the ability to access at the measurement date.
- Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs that are unobservable for the asset or liability and include situations where there is little, if any, market activity for the 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 investments in certificates of deposit of \$556,328 for the year ended December 31, 2009 and these are considered Level 2.

Note 4. Patient Services Receivable, Net

Patient services receivable, net, consist of the following:

Medicare	\$ 52,294
Private insurance	233,352
Self-pay	4,375,030
TennCare Managed Care plans	445,512
Medicaid Managed Care wraparound	1,267,798
Tennessee Department of Health - Essential Access Pool	259,410
	<hr/>
	6,633,396
Less allowance for doubtful accounts	4,026,424
	<hr/>
	\$ 2,606,972

Matthew Walker Comprehensive Health Center, Inc.**Notes to Financial Statements**

Note 5. Property and Equipment, Net

Property and equipment, net, consists of the following:

Land	\$ 486,642
Building and improvements	5,276,525
Furniture and equipment	2,368,389
Leasehold improvements	241,879
Vehicle	24,093
	<hr/>
	8,397,528
Less accumulated depreciation	1,831,483
	<hr/>
	<u>\$ 6,566,045</u>

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

The Center has executed a line of credit for \$1,000,000 expiring on June 29, 2010. This agreement requires interest to be charged at the rate of 7%. The line of credit is partially secured by certificates of deposit owned by the Center. There was an outstanding balance of \$1,000,000 due as of January 31, 2009.

Note 7. Long-Term Debt

On January 31, 2006, the Center entered into a loan agreement for \$3,825,000 for the building located at 1035 14th Avenue North. Interest payments are due monthly on a fixed rate at 4.75%. The remaining balance of \$3,035,730 is due on June 29, 2010.

Note 8. DHHS Grants

For the year ended January 31, 2009, the Center received the following grants from the DHHS:

<u>Grant Number</u>	<u>Grant Period</u>	<u>Grant Amount</u>	<u>Unrestricted Amount Recognized</u>
6H80CS00710-07-02	02/01/08 - 01/31/09	\$ 4,284,629	<u>\$ 4,284,629</u>

Matthew Walker Comprehensive Health Center, Inc.**Notes to Financial Statements**

Note 9. Patient Services, Net

For the year ended January 31, 2009, patient services revenue consists of the following:

	Gross Charges	Charitable and Contractual Allowance	Net Revenue
Medicare	\$ 302,390	\$ 133,116	\$ 169,274
Private insurance	958,274	494,731	463,543
Self-pay	8,562,535	5,382,951	3,179,584
TennCare Managed Care plans	1,656,183	882,324	773,859
	<u>\$ 11,479,382</u>	<u>\$ 6,893,122</u>	4,586,260
Medicaid Managed Care wraparound			1,712,156
Tennessee Department of Health - Essential Access Pool			763,348
			<u>\$ 7,061,764</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.

Note 10. Contract Services

For the year ended January 31, 2009, contract services and other grants revenue consist of the following:

Meharry Medical College:	
Community Networks Program	\$ 101,968
State of Tennessee Crime Victims Assistance	27,118
State of Tennessee Department of Health:	
Project Diabetes	34,398
United Way:	
McGruder Family Resource Center	44,567
Managing Your Diabetes	5,435
Vanderbilt University Medical Center:	
Southern Community Cohort Study	21,250
Other	3,222
	<u>\$ 237,958</u>

Matthew Walker Comprehensive Health Center, Inc.

Notes to Financial Statements

Note 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 \$88,635 for the year ended January 31, 2009.

Note 12. 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 the 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, 2009 amounted to \$50,400. Facilities leased under noncancelable operating leases require future minimum payments as follows:

Year ending January 31,

2010	\$ 50,400
2011	<u>46,200</u>
	<u>\$ 96,600</u>

McGladrey & Pullen

Certified Public Accountants

Matthew Walker Comprehensive Health Center, Inc.

Internal Controls and Compliance Section

January 31, 2009

McGladrey & Pullen

Certified Public Accountants

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*

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

We have audited the financial statements of Matthew Walker Comprehensive Health Center, Inc. (the "Center") as of and for the year ended January 31, 2009, and have issued our report thereon dated June 25, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting - In planning and performing our audit, we considered the Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over financial reporting.

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 09-01 to be a significant deficiency in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe that the significant deficiency in internal control over financial reporting described above is a material weakness.

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 09-01.

We noted certain immaterial instances of noncompliance that we reported to management of the Center in a separate letter dated June 25, 2010.

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

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.

McGladrey & Pullen, LLP

New York, New York
June 25, 2010

McGladrey & Pullen

Certified Public Accountants

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

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

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 its major federal program for the year ended January 31, 2009. 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 its major federal program 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 of the Center's compliance with those requirements.

As described in item 09-01 in the accompanying schedule of findings and questioned costs, the Center did not comply with requirements regarding patient services receivables that are applicable to its federal program noted in Section III of the schedule of findings and questioned costs. Compliance with such requirements is necessary, in our opinion, for the Center to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Center complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended January 31, 2009.

Internal Control Over Compliance - The management of the Center is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Center's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over compliance.

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 09-01 to be a significant deficiency.

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

The Center's responses to the finding identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Center's responses and, accordingly, we express no opinion on them.

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.

McGladrey & Pullen, LLP

New York, New York
June 25, 2010