

**UNITED NEIGHBORHOOD HEALTH  
SERVICES, INC.**

**FINANCIAL STATEMENTS**

**JANUARY 31, 2005**

# UNITED NEIGHBORHOOD HEALTH SERVICES, INC.

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January 31, 2005

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## **INTRODUCTION**

### **Background**

United Neighborhood Health Services, Inc. (the "Center") operates healthcare centers located in the State of Tennessee in the counties of Davidson and Trousdale. 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 during the period April 18, 2005 to April 21, 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 expression of an opinion on the schedule of state financial assistance 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  
United Neighborhood Health Services, Inc.

We have audited the accompanying balance sheet of United Neighborhood Health Services, Inc. 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 United Neighborhood Health Services, 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 21, 2005 on our consideration of United Neighborhood Health Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 result 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 21, 2005

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# UNITED NEIGHBORHOOD HEALTH SERVICES, INC.

## BALANCE SHEET

January 31, 2005

### ASSETS

Current Assets:

Cash	\$ 536,337
Patient accounts receivable, net (Note 3)	402,908
Contracts receivable (Note 4)	120,668
Prepaid expenses and other current assets	69,668

**Total current assets** 1,129,581

Property, Plant and Equipment, net (Notes 5, 6 and 11) 1,564,426

**Total Assets** \$2,694,007

### LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable and accrued expenses	\$ 233,344
Accrued compensation	233,507
Current maturities of long-term debt (Note 6)	5,451

**Total current liabilities** 472,302

Long-term Liability - long-term debt, less current maturities (Note 6) 94,394

**Total liabilities** 566,696

Commitments and Contingencies (Notes 5, 8, 10 and 11)

Unrestricted Net Assets 2,127,311

**Total Liabilities and Unrestricted Net Assets** \$2,694,007

See Notes to Financial Statements

# UNITED NEIGHBORHOOD HEALTH SERVICES, INC.

## STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

Year ended January 31, 2005

Unrestricted revenue:	
DHHS grant (Note 7)	\$3,056,999
Patient services, net (Note 8)	2,216,559
Contract services (Note 9)	379,377
Donated services	33,410
Other	67,495
Total unrestricted revenue	5,753,840
Expenses:	
Salaries and benefits	3,866,724
Other than personnel services	1,551,350
Interest	6,132
Provision for bad debts	112,777
Total expenses	5,536,983
Operating loss prior to depreciation	216,857
Depreciation	143,178
Increase in unrestricted net assets	73,679
Unrestricted net assets at beginning of year	2,053,632
Unrestricted net assets at end of year	\$2,127,311

See Notes to Financial Statements

# UNITED NEIGHBORHOOD HEALTH SERVICES, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

**Year ended January 31, 2005**

	Program Services	General and Administrative	Total
Salaries and wages	\$2,695,226	\$496,100	\$3,191,326
Fringe benefits	570,406	104,992	675,398
Healthcare consultants	274,595		274,595
Professional fees		111,484	111,484
Consumable supplies	94,661	9,153	103,814
Laboratory	246,382		246,382
Pharmaceuticals	314,022		314,022
Occupancy	61,499	6,082	67,581
Insurance	28,079	5,751	33,830
Repairs and maintenance	48,863	4,833	53,696
Telephone	84,057	17,217	101,274
Travel, conferences and meetings	52,394	10,731	63,125
Dues and subscriptions	36,218	7,418	43,636
Printing, publications and postage	39,221	8,033	47,254
Staff training	23,175	4,747	27,922
Equipment rental	11,415	1,129	12,544
Interest		6,132	6,132
Provision for bad debts	112,777		112,777
Other	40,088	10,103	50,191
	4,733,078	803,905	5,536,983
Depreciation	130,292	12,886	143,178
<b>Total functional expenses</b>	<b>\$4,863,370</b>	<b>\$816,791</b>	<b>\$5,680,161</b>

See Notes to Financial Statements

# UNITED NEIGHBORHOOD HEALTH SERVICES, INC.

## STATEMENT OF CASH FLOWS

**Year ended January 31, 2005**

Cash flows from operating activities:	
Cash received from DHHS grants	\$ 3,072,765
Cash received from patient services	2,109,720
Cash received from contract services	349,263
Cash received from other	63,983
Cash paid for interest	(2,620)
Cash paid for operations	(5,311,263)
<b>Net cash provided by operating activities</b>	<b>281,848</b>
Cash flows used in investing activity - purchase of property, plant and equipment	(20,851)
Cash flows used in financing activity - principal payments of long-term debt	(6,215)
Net increase in cash	254,782
Cash at beginning of year	281,555
Cash at end of year	\$ 536,337

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

Increase in unrestricted net assets	\$ 73,679
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities:	
Depreciation	143,178
Provision for bad debts	112,777
Changes in operating assets and liabilities:	
Increase in patient accounts receivable	(106,839)
Decrease in DHHS grants receivable	15,766
Increase in contracts receivable	(30,114)
Increase in prepaid expenses and other current assets	(16,356)
Increase in accounts payable and accrued expenses	120,316
Decrease in accrued compensation	(30,559)
<b>Total adjustments</b>	<b>208,169</b>
<b>Net cash provided by operating activities</b>	<b>\$ 281,848</b>

See Notes to Financial Statements



# UNITED NEIGHBORHOOD HEALTH SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS

January 31, 2005

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**1. ORGANIZATION:** United Neighborhood Health Services, Inc. (the "Center") operates healthcare centers located in the State of Tennessee in the counties of Davidson and Trousdale. 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.

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.

Property, plant 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 30 years for building and 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.

# UNITED NEIGHBORHOOD HEALTH SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS January 31, 2005

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Donated services are recognized in the accompanying financial statements when they are specifically identifiable and can be objectively valued in monetary terms.

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, 2005, the Center has received conditional grants and contracts from governmental entities in the aggregate amount of \$3,213,663 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.

Interest earned on nonfederal funds is recorded as income on an accrual basis. 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, net, consist of the following:

Medicare	\$ 30,317
Private insurance	11,103
Self-pay	78,576
TennCare managed care plans	70,686
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	190,682
Medicaid managed care wraparound	212,226
	<hr/>
	\$402,908
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# UNITED NEIGHBORHOOD HEALTH SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS January 31, 2005

**4. CONTRACTS RECEIVABLE:**

Contracts receivable consist of the following:

Tennessee Department of Health:	
Minority Health program	\$ 65,139
U.S. Corporation for National Health Service:	
Tennessee Department of Finance and Administration:	
AmeriCorp program	22,845
Metropolitan Department of Nashville and Davidson County:	
Downtown Clinic program	15,288
Other	17,396
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<b>Contracts receivable</b>	<b>\$120,668</b>

**5. PROPERTY, PLANT AND EQUIPMENT, NET:**

Property, plant and equipment, at cost, consists of the following:

Land	\$ 331,874
Building and improvements	1,514,168
Medical and dental equipment	59,932
Office equipment	732,345
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	2,638,319
Less accumulated depreciation	1,073,893
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<b>Property, plant and equipment, net</b>	<b>\$1,564,426</b>

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.

**6. LONG-TERM DEBT:**

Long-term debt consists of the following:

<p>The Center entered into a mortgage loan agreement on May 2, 2002 in the amount of \$115,000 to purchase a building. The note matures on May 5, 2007, with interest and principal payable in 59 monthly installments of \$1,029, including interest at 6.814% per annum. Payments are applied first to interest and the balance, if any, to principal. A final payment of the unpaid principal balance plus accrued interest is due and payable on May 5, 2007. The note is secured by related property.</p>	
	\$99,845
Less current maturities	5,451
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<b>Long-term portion</b>	<b>\$94,394</b>

# UNITED NEIGHBORHOOD HEALTH SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS January 31, 2005

The aggregate amount of future principal payments on long-term debt is as follows:

Year ending January 31,	
2006	\$ 5,451
2007	5,840
2008	88,554
	\$99,845

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

Grant Number	Grant Period	Total Grant	Unrestricted Revenue Recognized
6H80CS00394-03-02	02/01/04 - 01/31/2005	\$3,056,999	\$3,056,999
		\$3,056,999	

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

	Gross Charges	Charitable and Contractual Allowances	Net Revenue
Medicare	\$ 179,859	\$ 60,817	\$ 119,042
Private insurance	74,744	26,405	48,339
Self-pay	3,830,379	3,131,704	698,675
TennCare managed care plans	1,226,668	603,451	623,217
		5,311,650	1,489,273
Medicaid managed care wraparound			727,286
		\$2,216,559	

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

# UNITED NEIGHBORHOOD HEALTH SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS January 31, 2005

### 9. CONTRACT SERVICES:

For the year ended January 31, 2005, contract services revenue consists of the following:

Tennessee Department of Health:	
Minority Health program	\$ 62,118
GWEN Line program	22,800
Tennessee Department of Children's Services:	
Child Abuse Prevention program	25,545
U.S. Corporation for National Health Service:	
Tennessee Department of Finance and Administration:	
AmeriCorp program	37,542
Metropolitan Department of Nashville and Davidson County:	
Downtown Clinic program	93,888
United Way of Metropolitan Nashville	127,077
Other	10,407
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	\$379,377

### 10. PENSION PLAN:

The Center has a defined contribution pension plan covering substantially all employees who meet certain eligibility requirements. The amount contributed to the plan is a fixed percentage of the participants' compensation. The Center made no contribution to the plan in the current fiscal year.

### 11. 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 under 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 reimbursing the agencies for 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 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 has a secured line of credit agreement in the amount of \$75,000. This agreement expires February 15, 2005 and is secured by the property located at 1501 12<sup>th</sup> Avenue South, Nashville, Tennessee. This agreement requires interest to be charged at 4.75% per annum. No funds have been drawn on this line of credit as of January 31, 2005.

**UNITED NEIGHBORHOOD HEALTH  
SERVICES, INC.**

**INTERNAL CONTROLS AND  
COMPLIANCE SECTION**

**JANUARY 31, 2005**



# GOLDSTEIN GOLUB KESSLER LLP

Certified Public Accountants and Consultants



## 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  
United Neighborhood Health Services, Inc.

We have audited the financial statements of United Neighborhood Health Services, Inc. (the "Center") as of and for the year ended January 31, 2005, and have issued our report thereon dated April 21, 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 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 that are required to be reported under *Government Auditing Standards*.

However, we noted other matters involving the internal control structure and its operations that we have reported to the management of the Center in a separate letter dated April 21, 2005.

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

*Goldstein Golub Kessler LLP*

**GOLDSTEIN GOLUB KESSLER LLP**

April 21, 2005

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# GOLDSTEIN GOLUB KESSLER LLP

Certified Public Accountants and Consultants



## 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  
United Neighborhood Health Services, Inc.

Compliance - We have audited the compliance of United Neighborhood Health Services, 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.

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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 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 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 and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Goldstein Golub Kessler LLP*

**GOLDSTEIN GOLUB KESSLER LLP**

April 21, 2005

# UNITED NEIGHBORHOOD HEALTH SERVICES, 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?  yes  no
- Reportable condition(s) identified that are not considered to be material weaknesses?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

#### *Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?  yes  no
- Reportable condition(s) identified that are not considered to be material weakness(es)?  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 program:

CFDA Number(s)

93.224

Name of Federal Program or Cluster

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

**UNITED NEIGHBORHOOD HEALTH SERVICES, INC.**

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

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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  
United Neighborhood Health Services, Inc.

We have audited the basic financial statements of United Neighborhood Health Services, 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 21, 2005

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**UNITED NEIGHBORHOOD HEALTH SERVICES, INC.**

**SUPPLEMENTARY INFORMATION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year ended January 31, 2005

Federal Grantor/ Pass-through Grantor/ Program Title	CFDA Number	Pass-through Grantor's Number	Expenditures
U.S. Department of Health and Human Services:			
Direct programs:			
Consolidated Health Centers Cluster Passed through Tennessee Department of Health:	93.224	N/A	\$3,056,999
Maternal and Child Health Service Block Grant to the States	93.994	Not Available	22,800
<b>Subtotal - U.S. Department of Health and Human Services</b>			<b>3,079,799</b>
U.S. Corporation for National Health Service: Passed through Tennessee Department of Finance and Administration:			
AmeriCorp	94.006	Not Available	22,845
<b>Total federal awards</b>			<b>\$3,102,644</b>

(1) This schedule of expenditures of federal awards is prepared on the accrual basis of accounting.



# GOLDSTEIN GOLUB KESSLER LLP

Certified Public Accountants and Consultants



## **INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION - SCHEDULE OF STATE FINANCIAL ASSISTANCE**

The Board of Directors  
United Neighborhood Health Services, Inc.

We have audited the basic financial statements of United Neighborhood Health Services, 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 state financial assistance 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 21, 2005

# UNITED NEIGHBORHOOD HEALTH SERVICES, INC.

## SUPPLEMENTARY INFORMATION

### SCHEDULE OF STATE FINANCIAL ASSISTANCE

Year ended January 31, 2005

State Grantor	CFDA Number	Contract Number	Beginning Receivable	Cash Receipts	Expenditures	Ending Receivable
State Financial Assistance:						
Tennessee Department of Health:						
Minority Health program	N/A	Z0400984800	\$54,926	\$51,905	\$ 16,511	\$19,532
Minority Health program	N/A	Z0500134900			45,607	45,607
U.S. Department of Health and Human Services:						
Passed through Tennessee Department of Health:						
Maternal and Child Health Service Block Grant to the States	93.994	GR-01-13872-01	5,788	23,562	22,800	5,026
Passed through Tennessee Department of Finance and Administration:						
AmeriCorp	94.006	00ASCTN044	16,313	16,313	22,845	22,845
Total state financial assistance			\$77,027	\$91,780	\$107,763	\$93,010