UNITED NEIGHBORHOOD HEALTH SERVICES, INC.

FINANCIAL STATEMENTS

JANUARY 31, 2006

UNITED NEIGHBORHOOD HEALTH SERVICES, INC.

CONTENTS
January 31, 2006

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, 2006 and fieldwork was performed during the period from April 24, 2006 to April 28, 2006.

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

- The expression of an opinion on the balance sheet as of January 31, 2006, 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, 2006;
- The expression of an opinion on the schedule of state financial assistance for the year ended January 31, 2006;
- 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. (the "Center") as of January 31, 2006, 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, 2006 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 28, 2006 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 28, 2006

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UNITED NEIGHBORHOOD HEALTH SERVICES, INC.

BALANCE SHEET

January 31, 2006

ASSETS	
Current Assets:	
Cash	$1,121,189
Patient services receivable, net (Note 3)	665,286
Contracts receivable (Note 4)	128,925
Prepaid expenses and other	97,608
Total current assets	2,013,008
Property and Equipment, net (Notes 5, 6 and 10)	2,642,885
Total Assets	$4,655,893
LIABILITIES AND NET ASSETS	
Current Liabilities:	
Accounts payable and accrued expenses	$ 349,847
Accrued compensation	269,677
Current maturities of long-term debt (Note 6)	117,622
Total current liabilities	737,146
Long-term Liability - long-term debt, less current maturities (Note 6)	565,562
Total liabilities	1,302,708
Commitments and Contingencies (Notes 5, 8 and 10)	
Net Assets:	
Unrestricted	2,953,185
Temporarily restricted - contribution for capital	400,000
Total net assets	3,353,185
Total Liabilities and Net Assets	$4,655,893

See Notes to Financial Statements

UNITED NEIGHBORHOOD HEALTH SERVICES, INC.

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

Year ended January 31, 2006

	Unrestricted	Temporarily Restricted	Total
Unrestricted revenue:			
DHHS grant (Note 7)	$3,102,651		$3,102,651
Patient services, net (Note 8)	3,020,801		3,020,801
Contract services (Note 9)	382,013		382,013
Other	42,201		42,201
Total unrestricted revenue	6,547,666		6,547,666
Expenses:			
Salaries and benefits	3,831,055		3,831,055
Other than personnel services	1,641,806		1,641,806
Interest	24,930		24,930
Provision for bad debts	159,426		159,426
Total expenses	5,657,217		5,657,217
Operating income prior to depreciation	890,449		890,449
Depreciation	184,875		184,875
Operating income	705,574		705,574
Nonoperating revenue:			
Contribution for capital		$ 400,000	400,000
Donated van and equipment	120,300		120,300
Increase in net assets	825,874	400,000	1,225,874
Net assets at beginning of year	2,127,311		2,127,311
Net assets at end of year	$2,953,185	$400,000	$3,353,185

See Notes to Financial Statements

UNITED NEIGHBORHOOD HEALTH SERVICES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended January 31, 2006

	Program Services	General and Administrative	Total
Salaries and wages	$2,579,465	$575,129	$3,154,594
Fringe benefits	553,132	123,329	676,461
Healthcare consultants and other contractual services	260,046	4,189	264,235
Professional fees		93,364	93,364
Consumable supplies	144,029	12,072	156,101
Laboratory	202,630		202,630
Pharmaceuticals	336,280		336,280
Occupancy	81,070	6,102	87,172
Insurance	33,219	6,804	40,023
Repairs and maintenance	110,562	8,322	118,884
Telephone	90,179	18,470	108,649
Travel, conferences and meetings	33,012	6,762	39,774
Dues and subscriptions	45,205	9,259	54,464
Printing, publications and postage	25,766	5,277	31,043
Staff training	43,424	8,894	52,318
Equipment rental	11,427	860	12,287
Interest	23,185	1,745	24,930
Provision for bad debts	159,426		159,426
Other	31,045	13,537	44,582
	4,763,102	894,115	5,657,217
Depreciation	171,934	12,941	184,875
Total functional expenses	$4,935,036	$907,056	$5,842,092

See Notes to Financial Statements

STATEMENT OF CASH FLOWS

Year ended January 31, 2006

Cash flows from operating activities:	
Cash received from DHHS grants	$ 3,102,651
Cash received from patient services	2,598,997
Cash received from contract services	373,756
Cash received from other	30,060
Cash received from contributions for capital	400,000
Cash paid for interest	(12,789)
Cash paid for operations	(5,348,128)
Net cash provided by operating activities	1,144,547
Cash used in investing activity - purchase of property and equipment	(1,143,034)
Cash flows from financing activities:	
Proceeds from long-term debt	1,025,000
Principal payments of long-term debt	(441,661)
Net cash provided by financing activities	583,339
Net increase in cash	584,852
Cash at beginning of year	536,337
Cash at end of year	$ 1,121,189

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

Increase in net assets	$ 1,225,874
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	184,875
Provision for bad debts	159,426
Donated van and equipment	(120,300)
Changes in operating assets and liabilities:	
Increase in patient services receivable	(421,804)
Increase in contracts receivable	(8,257)
Increase in prepaid expenses and other	(27,940)
Increase in accounts payable and accrued expenses	116,503
Increase in accrued compensation	36,170
Total adjustments	(81,327)
Net cash provided by operating activities	$ 1,144,547

See Notes to Financial Statements

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 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.

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 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.

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, 2006, the Center has received conditional grants and contracts from governmental entities in the aggregate amount of $3,203,706 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 SERVICES RECEIVABLE, NET:

Patient services receivable, net, consist of the following:

Medicare	$ 44,745
Private insurance	34,446
Self-pay	80,049
Tenncare managed care plans	94,697
	253,937
Medicaid managed care wraparound	233,842
Tennessee Department of Health - Essential Access Pool	177,507
	$665,286

4. CONTRACTS RECEIVABLE:

Contracts receivable consist of the following:

Tennessee Department of Health:	
Minority Health program	$ 47,019
U.S. Corporation for National Health Service:	
National Association of Community Health Centers:	
AmeriCorp	41,597
Metropolitan Department of Nashville and Davidson County:	
Downtown Clinic program	3,994
Other	36,315
	$128,925

5. PROPERTY AND EQUIPMENT, NET:

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

Land	$ 576,617
Building and improvements	2,142,768
Medical and dental equipment	71,482
Office equipment	984,817
Automobiles	95,300
Construction-in-progress	30,669
	3,901,653
Less accumulated depreciation	1,258,768
	$2,642,885

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:

The Center entered into a mortgage loan agreement on April 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.	$96,378

(continued)

with interest and principal payable in 59 monthly installments of $5,023.10, including interest at 6.55% per annum. A final payment of the unpaid principal balance plus accrued and unpaid interest is due and payable on August 11, 2010. The note is secured by property at 617 S. 8th Street, Nashville, TN 37206.	$242,302
The Center entered into a mortgage loan agreement on November 15, 2005 in the amount of $360,000 to purchase a building. The note matures on November 15, 2010, with interest and principal payable in 59 monthly installments of $7,125.50, including interest at 6.878% per annum. A final payment of the unpaid principal balance plus accrued and unpaid interest is due and payable on November 15, 2010. The note is secured by property at 601 Due West Avenue, Madison, TN 37115.	344,504
	683,184
Less current maturities	117,622
	$565,562

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

Year ending January 31,	
2007	$117,622
2008	210,087
2009	127,858
2010	136,744
2011	90,873
	$683,184

7. DHHS GRANT: For the year ended January 31, 2006, the Center received the following grant from the DHHS:

Grant Number	Grant Period	Total Grant	Unrestricted Revenue Recognized
6H80CS00394-04-03	02/01/05 - 01/31/06	$3,102,651	$3,102,651

8. PATIENT SERVICES, NET:

For the year ended January 31, 2006, patient services revenue consists of the following:

	Gross Charges	Charitable and Contractual Allowances	Net Revenue
Medicare	$ 176,318	$ 71,108	$ 105,210
Private insurance	144,951	72,107	72,844
Self-pay	4,734,375	3,583,364	1,151,011
Tenncare managed care plans	1,054,458	531,017	523,441
	6,110,102	4,257,596	1,852,506
Medicaid managed care wraparound			725,000
Tennessee Department of Health - Essential Access Pool			443,295
			$3,020,801

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.

9. CONTRACT SERVICES:

For the year ended January 31, 2006, contract services revenue consists of the following:

Tennessee Department of Health:	
Minority Health program	$ 37,917
GWEN Line program	16,355
Tennessee Department of Children's Services:	
Child Abuse Prevention program	13,755
U.S. Corporation for National Health Service:	
National Association of Community Health Centers:	
AmeriCorp	60,067
Metropolitan Department of Nashville and Davidson County:	
Downtown Clinic program	82,500
United Way of Metropolitan Nashville	126,907
Baptist Healing Trust	25,000
Other	19,512
	$382,013

10. 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 has a secured line of credit agreement in the amount of $75,000. This agreement expires July 15, 2006 and is secured by the property located at 1501 12th Avenue South, Nashville, Tennessee. No funds have been drawn on this line of credit as of January 31, 2006.

UNITED NEIGHBORHOOD HEALTH SERVICES, INC.

INTERNAL CONTROLS AND COMPLIANCE SECTION

JANUARY 31, 2006

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, 2006, and have issued our report thereon dated April 28, 2006. 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 reportable 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 28, 2006.

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 28, 2006

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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, 2006. 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, 2006.

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 reportable 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 28, 2006

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)	Name of Federal Program or Cluster
93.224	United States Department of Health and Human Services - Consolidated Health Centers program

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

STATUS OF PRIOR-YEAR'S FINDINGS
January 31, 2006

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, 2006, 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 OMB 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 28, 2006

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended January 31, 2006

Federal Grantor/ Pass-through Grantor/ Program Title	CFDA Number	Pass-through Grantor's Number	Expenditures
U.S. Department of Health and Human Services:			
Direct program:			
Consolidated Health Centers program	93.224	N/A	$3,102,651
Passed through Tennessee Department of Health:			
Maternal and Child Health Service Block Grant to the States	93.994	GR-06-16881-00	16,355
Subtotal - U.S. Department of Health and Human Services			3,119,006
U.S. Corporation for National Health Service:			
Passed through National Association of Community Health Centers:			
AmeriCorp	94.006	Not Available	101,985
Total federal awards			$3,220,991

Note 1: Basis of presentation

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

Note 2: Subrecipients

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

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, 2006, 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 28, 2006

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UNITED NEIGHBORHOOD HEALTH SERVICES, INC.

SUPPLEMENTARY INFORMATION

SCHEDULE OF STATE FINANCIAL ASSISTANCE

Year ended January 31, 2006

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	Z0502134900	$65,139	$56,037	$31,765	$40,867
Minority Health program	N/A	Z0600230800			6,152	6,152
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-06-16881-00	5,026	21,381	16,355	
Total state financial assistance			$70,165	$77,418	$54,272	$47,019