

ST. MARY'S HEALTH WAGON, INC.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

ST. MARY'S HEALTH WAGON, INC.
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DECEMBER 31, 2013

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INDEPENDENT AUDITORS' REPORT

The Honorable Members of the
Board of Directors
St. Mary's Health Wagon, Inc.

Report on the Financial Statements

We have audited the accompanying statement of financial position of St. Mary's Health Wagon, Inc. (a non-profit organization) as of December 31, 2013 and the related statements of activities, cash flows and schedules referred to in the Table of Contents. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audit, the financial statements referred to above present fairly in all material respects, the financial position of St. Mary's Health Wagon, Inc. as of December 31, 2013, and the changes in its net assets and its cash flows for the year ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2013, on our consideration of St. Mary's Health Wagon, Inc.'s control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, 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 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 read in conjunction with this report and in considering the results of our audit.

Bostic, Tucker & Company, PC

September 26, 2013
Lebanon, Virginia



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

The Honorable Members of the
Board of Directors
St. Mary's Health Wagon, Inc.

We have audited, in accordance with the 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, the financial statements of St. Mary's Health Wagon, Inc. (a nonprofit organization) as of and for the year ended December 31, 2013 and have issued our report thereon dated September 26, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of the Enterprise's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the effectiveness of the Enterprise's internal over financial reporting.

A deficiency in internal control 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 material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement if the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of 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 or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 no instances of non-compliance that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bostic, Tucker & Company, PC

September 26, 2013

Lebanon, Virginia



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

The Honorable Members of the
Board of Directors
St. Mary's Health Wagon, Inc.

Report on Compliance for Each Major Federal Program

We have audited the compliance of St. Mary's Health Wagon, Inc. with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of St. Mary's Health Wagon, Inc.'s major federal programs for the year ended December 31, 2013. The Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of St. Mary's Health Wagon, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. 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 ABC Organization'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 on compliance for each major federal program. However, our audit does not provide a legal determination of St. Mary's Health Wagon, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, St. Mary's Health Wagon, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control Over Compliance

The management of St. Mary's Health Wagon, Inc. 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 Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance and its operation that we consider to be material weaknesses as defined above. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Bostic, Tucker & Company, PC

September 26, 2013
Lebanon, Virginia

ST. MARY'S HEALTH WAGON, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013

ASSETS

CURRENT ASSETS

Cash and Investments \$ 2,258,023

TOTAL CURRENT ASSETS \$ 2,258,023

PROPERTY AND EQUIPMENT

Property and Equipment \$ 766,072
Less: Accumulated Depreciation (156,448)
Land 28,000

TOTAL PROPERTY AND EQUIPMENT \$ 637,624

RESTRICTED ASSETS

Cash \$ 304,376

TOTAL RESTRICTED ASSETS \$ 304,376

TOTAL ASSETS \$ 3,200,023

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable \$ 7,924
Salaries Payable 23,450
Accrued Payroll Liabilities 6,457
Accrued Compensated Absences 62,723

TOTAL CURRENT LIABILITIES \$ 100,554

NET ASSETS

Unrestricted \$ 2,795,093
Permanently Restricted 304,376

TOTAL NET ASSETS \$ 3,099,469

TOTAL LIABILITIES AND NET ASSETS \$ 3,200,023

The notes to the Financial Statements are an integral part of this statement.

ST. MARY'S HEALTH WAGON, INC.
STATEMENT OF ACTIVITIES AND FUNCTIONAL EXPENSES &
CHANGES IN UNRESTRICTED NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2013

RECEIPTS:

Designated Income	\$ 105,495
Contributions	549,834
Patient Fees	38,037
Grants	<u>1,210,196</u>

TOTAL RECEIPTS \$ 1,903,562

EXPENDITURES:

Advertising	\$ 1,842
Bank Fees	223
Building and Maintenance	5,151
Computers and IT	10,383
Consulting Services	249,714
Depreciation	35,605
Education	782
Fringe Benefits	97,706
Gifts and Sympathy	2,104
Grant Capital Purchases	50,425
Insurance	19,865
Membership Fees	11,282
Mobile Unit Expense	33,305
Office Supplies and Expense	34,603
Payroll Taxes	56,455
Patient Services	100,282
Professional Fees	59,350
Public Relations Expense	2,137
Rent	6,000
Salaries and Wages	731,571
Travel and Meals	30,898
Utilities	<u>35,074</u>

TOTAL EXPENDITURES \$ 1,574,757

EXCESS RECEIPTS OVER (EXPENDITURES) 328,805

The notes to the Financial Statements are an integral part of this statement.

ST. MARY'S HEALTH WAGON, INC.
STATEMENT OF ACTIVITIES AND FUNCTIONAL EXPENSES &
CHANGES IN UNRESTRICTED NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2013

OTHER INCOME (EXPENSE)		
Investment Income	\$ 51,597	
Unrealized Gain / (Loss)	127,016	
Brokerage Fees	<u>(16,935)</u>	
TOTAL OTHER INCOME (EXPENSE)		<u>\$ 161,678</u>
EXCESS RECEIPTS AND OTHER INCOME OVER EXPENDITURES		\$ 490,482
UNRESTRICTED NET ASSETS - BEGINNING OF YEAR		2,304,610
UNRESTRICTED NET ASSETS - END OF YEAR		<u>\$ 2,795,093</u>

The notes to the Financial Statements are an integral part of this statement.

ST. MARY'S HEALTH WAGON, INC.
STATEMENT OF ACTIVITIES AND FUNCTIONAL EXPENSES &
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2013

RECEIPTS:

RAM Donations	<u>\$ 97,495</u>	
TOTAL RECEIPTS		\$ 97,495

EXPENDITURES:

RAM Expense	<u>\$ 68,444</u>	
TOTAL OPERATION EXPENSE		<u>\$ 68,444</u>

INCREASE (DECREASE) IN PERMANENTLY RESTRICTED NET ASSETS	<u>\$ 29,051</u>
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RECEIPTS:

Sullivan Endowment	<u>\$ -</u>	
TOTAL RECEIPTS		\$ -

EXPENDITURES:

Sullivan Endowment	<u>\$ -</u>	
TOTAL OPERATIONS EXPENSE		<u>\$ -</u>

INCREASE (DECREASE) IN PERMANENTLY RESTRICTED NET ASSETS	<u>\$ -</u>
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The notes to the Financial Statements are an integral part of this statement.

ST. MARY'S HEALTH WAGON, INC.
STATEMENT OF ACTIVITIES AND FUNCTIONAL EXPENSES &
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2013

RECEIPTS:

UBCF Grant	<u>\$</u>	-
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TOTAL RECEIPTS		\$ -
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EXPENDITURES:

UBCF Grant	<u>\$</u>	2,344
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TOTAL OPERATION EXPENSE		<u>\$ 2,344</u>
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INCREASE (DECREASE) IN PERMANENTLY RESTRICTED NET ASSETS		<u>\$ (2,344)</u>
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RECEIPTS:

Smiddy Checking	<u>\$</u>	8,000
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TOTAL RECEIPTS		\$ 8,000
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EXPENDITURES:

Smiddy Expenses	<u>\$</u>	3,713
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TOTAL OPERATION EXPENSE		<u>\$ 3,713</u>
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INCREASE (DECREASE) IN PERMANENTLY RESTRICTED NET ASSETS		<u>\$ 4,287</u>
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INCREASE (DECREASE) IN PERMANENTLY RESTRICTED NET ASSETS		\$ 30,944
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PERMANENTLY RESTRICTED NET ASSETS - BEGINNING		<u>\$ 273,392</u>
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PERMANENTLY RESTRICTED NET ASSETS - ENDING		<u>\$ 304,376</u>
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The notes to the Financial Statements are an integral part of this statement.

**ST. MARY'S HEALTH WAGON, INC.
STATEMENT OF CASH FLOWS (DIRECT METHOD)
FOR THE YEAR ENDED DECEMBER 31, 2013**

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Total Net Assets		\$ 521,476
 Adjustments to Reconcile Excess Revenue		
Over Expenses to Net Cash from Operations:		
Depreciation	\$ 35,605	
Change in Assets and Liabilities		
Increase in Grant Receivable	114,126	
Increase in Accounts Payable	(39,059)	
Increase in Salaries Payable	(2,029)	
Decrease in Accrued Compensation	2,567	
Decrease in Accrued Payroll Liabilities	<u>2,247</u>	<u>113,457</u>
NET CASH FLOW PROVIDED (USED) BY OPERATIONS		\$ 634,933
 CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Equipment	<u>\$ (115,750)</u>	<u>(115,750)</u>
CASH FLOW FROM FINANCING ACTIVITIES		<u>-</u>
 NET INCREASE (DECREASE) IN CASH		 \$ 519,183
BEGINNING CASH BALANCE **		<u>2,043,216</u>
ENDING CASH BALANCE **		<u><u>\$ 2,562,399</u></u>

The notes to the Financial Statements are an integral part of this statement.

**ST. MARY'S HEALTH WAGON, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

St. Mary's Health Wagon, Inc. was formed as non-stock corporation to be tax exempt under 501 (c) (3) of the Internal Revenue Service Code in 2004. All accounts and notes presented in this audit report relate solely to St. Mary's Health Wagon, Inc.

B. Mission

In keeping with our beliefs that health care is a right for all, we work to ensure availability of quality health care to those who come to us in need. We strive to above all provide services with dignity ever mindful of this God given privilege. In order to fulfill our mission, we believe in healing the mind, body and soul: consistent with and supportive of our philosophy of healing continuous to our commitment to collaborating, spirituality, and empowerment are the basic values motivating our ministry.

C. Purpose

The purpose of the corporation is to oversee the delivery of primary health care to indigent people in Dickenson, Wise, and Buchanan Counties.

D. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles of The United States of America. The accrual basis of accounting recognizes revenues in the accounting period in which revenues are earned regardless of when cash is received, and recognizes expenses in the accounting period in which expenses are incurred regardless of when cash is disbursed.

E. Financial Statement Presentation

Under Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

ST. MARY'S HEALTH WAGON, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Contributions

Under SFAS No. 116, Accounting for Contributions Received and Contributions Made, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the absence or existence and nature of any donor restrictions. Descriptions of the three net asset categories are as follows:

- Unrestricted net assets have no donor-imposed restrictions.
- Temporarily restricted net assets have donor-imposed restrictions that will expire in the future. There were no temporarily restricted net assets at June 30, 2013.
- Permanently restricted net assets have donor-imposed restrictions which do not expire. They were \$304,376 of permanently restricted net assets at June 30, 2013.

G. Contributed Services

During the year, the value of contributed services meeting the requirements for recognition in the financial statements was not overall material to the financial statements and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization in achieving its stated purpose.

H. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

I. Accounts Receivable

Accounts receivable are recorded at the amount of the company expects to collect on balances outstanding at year-end.

J. Depreciation

Equipment and furniture and other assets are being depreciated over estimated useful lives, which range from five to seven years, using the straight-line method of depreciation Building are being depreciated over estimated useful life, which is 39 years, using the straight-line method of depreciation. Depreciation expense of \$24,188 has been applied for year ended December 31, 2013.

ST. MARY'S HEALTH WAGON, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

K. Income Taxes

Income taxes are not provided for in the financial statements since the Agency is exempt from federal and state income taxes under Section 501 (c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

L. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

M. Advertising Cost

Advertising cost is expensed when incurred. Advertising was \$1,842 for the year ended December 31, 2013.

NOTE 2: ENDOWMENT FUND

The Water F. Sullivan Health Care Endowment Fund provides to support the mission of the Health Wagon. The use of the endowment is permanently restricted to be expended on behalf of indigent people in Dickenson, Buchanan, and Wise Counties.

On December 31, 2013, the fund totaled \$124,000.

**ST. MARY'S HEALTH WAGON, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 3: CASH

As of December 31, 2013, cash consisted of the following:

<u>Account</u>	<u>Financial Institution</u>	<u>2013</u>
Check - Operating	New Peoples Bank	\$ 781,979
Petty Cash	The Health Wagon	210
Morgan Stanley Smith Barney	MSSB	<u>1,475,834</u>
TOTAL UNRESTRICTED		<u>\$ 2,258,023</u>
RAM Checking	New Peoples Bank	\$ 139,084
Smiddy Bank Account	New Peoples Bank	35,429
UBCF Grant Checking	New Peoples Bank	5,863
Sullivan Endowment	UNVEST	<u>124,000</u>
TOTAL PERMANENTLY RESTRICTED		<u>\$ 304,376</u>

INVESTMENTS

The Organization has invested in various marketable equity securities. All of the investments are accounted for using fair value accounting in accordance with SFAS Nos. 124 (ASC 958) and 157 (ASC 820). All securities were valued based on quoted market prices on the New York Stock Exchange as of December 31, 2013.

<u>Description</u>	<u>Input Level</u>	<u>Unrealized Gains and Losses</u>	<u>Fair Value</u>
Morgan Stanley Money Market Fund	Level 1	\$ -	\$ 8,069
Morgan Stanley Consulting Group Mutual Funds	Level 1	\$ 166,612	\$ 1,342,725
Morgan Stanley Active Assets Money Market Fund	Level 1	<u>\$ -</u>	<u>\$ 125,041</u>
		<u>\$ 166,612</u>	<u>\$ 1,475,835</u>

**ST. MARY'S HEALTH WAGON, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 4: EQUIPMENT

Fixed assets held by the Agency consist of the following:

<u>Description</u>	<u>2013</u>
Land	\$ 28,000
Building	492,271
Furniture & Equipment	12,569
Office Equipment	55,382
Mobile Unit	203,850
Vehicles	<u>2,000</u>
TOTAL FIXED ASSETS	\$ 794,072
Less: Accumulated Depreciation	<u>(156,448)</u>
TOTAL FIXED ASSETS NET OF ACCUMULATED DEPRECIATION	<u>\$ 637,624</u>

NOTE 5: CONCENTRATIONS OF CREDIT RISK (*Cash balances at a single financial institution*)

The Company maintains its cash balances at New Peoples Bank located in Clintwood, Virginia. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2013, the Company's uninsured cash balances total \$851,748 as reported on the bank statements. The cash balance reported on the balance sheet, \$1,086,355.

The Company maintains investments at Morgan Stanley Smith Barney Brokerage in the amount of \$1,475,834 as of December 31, 2013. Investments within a brokerage are not FDIC Insured.

Morgan Stanley Smith Barney has entered into an agreement with Citigroup Global Markets Inc. to execute and clear all brokerage transactions and maintain client accounts. Both Morgan Stanley Smith Barney and Citigroup Global Market, Inc. are registered with the Securities and Exchange Commission ("SEC") as broker-dealers and investment advisors. Accordingly, they must adhere to strict regulatory standards concerning the safekeeping and segregation of client assets and the preservation of capital reserves.

Morgan Stanley Smith Barney and Citigroup Global Markets Inc. are members of the Securities Investor Protection Corporation ("SIPC"). SIPC is a nonprofit organization of US broker-dealers created in 1970 by Congress. It is funded by assessments collected from its member securities broker-dealers. SIPC can draw from its reserve fund to protect each client up to \$500,000, of which up to \$250,000 may be for cash-free credit balances.

ST. MARY'S HEALTH WAGON, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 5: **CONCENTRATIONS OF CREDIT RISK** *(Cash balances at a single financial institution) (continued)*

In addition, Citigroup Inc. has purchased, at no cost to legacy Smith Barney clients, a supplemental insurance policy through certain underwriters at Lloyd's of London ("Lloyd's") and various insurance companies for certain of its broker-dealer subsidiaries including Citigroup Global Markets Inc. In the unlikely event that eligible client assets are not fully recovered and SIPC protection limits have been paid, this additional coverage is available to provide protection above the SIPC limits. This coverage is subject to an aggregate firm wide cap of \$1 billion with no per client sublimit for securities and a \$1.9 million per client limit for the cash portion of any remaining shortfall.

SIPC and excess of SIPC protection do not insure against losses due to market fluctuations. SIPC and excess of SIPC protection apply to net claims for the value of most securities and cash in the exclusive possession or control of Citigroup Global Markets Inc. Securities, including certain mutual funds, annuities, life insurance and limited partnerships, which may be redeemed directly from the issuer, carrier or their agents, are generally not covered by SIPC or excess of SIPC coverage.

NOTE 6: **ANNUAL LEAVE**

Employees will earn annual leave based on their employment status and consecutive years in a leave eligible status. This time will be accrued per pay period while the employee remains in an eligible status.

Full-Time

<5 years of service:	80 hours (3.077 hours accrued each pay period up to a maximum of 120 hours)
5-9 years of service:	120 hours (4.606 hours accrued each pay period up to a maximum of 180 hours)
10 + years of service:	160 hours (6.154 hours accrued each pay period up to a maximum of 240 hours)

Part-Time

<5 years of service:	40 hours (1.539 hours accrued each pay period up to a maximum of 120 hours)
5-9 years of service:	60 hours (2.308 hours accrued each pay period up to a maximum of 180 hours)
10 + years of service:	80 hours (3.077 hours accrued each pay period up to a maximum of 240 hours)

ST. MARY'S HEALTH WAGON, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 6: **ANNUAL LEAVE (continued)**

Vacation accruals are computed from the beginning date of employment. Employees may only accumulate one and one-half times their annual vacation amount and any amount over that will not accrue and be forfeited. Pay in lieu of vacation is not allowed, except by special periodic programs. Transfer of accrued time from one employee to another is not allowed.

NOTE 7: **PENSION PLAN**

The Company provides a Simple IRA retirement plan is available to all employees who have received at least \$5,000 in compensation during any two years prior to the current year and are reasonably expected to receive at least \$5,000 in compensation during the calendar year for which contributions are made. The Company must contribute an amount equal to participating employee's contributions up to 3% of their compensation. Employees under the age 50 can contribute a maximum of \$12,000 per year to the Simple IRA retirement plan. Employees over the age of 50 can contribute up to \$14,500 due to a \$2,500 catch up provision that is allowed by the IRS. The plan is sponsored by American Funds Group Investments. The organization has no liability beyond the current year contribution. Pension expense for the year ended December 31, 2013 was \$10,409.

NOTE 8: **UNCERTAIN TAX POSITION**

The Organization would recognize accrued interest and penalties associated with uncertain tax provisions, if any, as part of the income tax provision. The Organization did not have any unrelated business taxable income and therefore is not required to pay income taxes.

The Organization has carefully considered the filing of its current tax returns, and has determined that no material uncertain tax positions exist.

Due to a statute of limitations, the Internal Revenue Service reserves the right to examine federal income tax returns for, generally a three year time period. Consequently, the Organization's federal income tax returns for the years 2011, 2012 and 2013 are subject to examination.

NOTE 9: **PRIOR PERIOD ADJUSTMENT**

A prior period adjustment was made to Unrealized Net Assets in the amount of \$166,788 because the organization voided out checks from prior operating periods in the operating account that management deemed null and void.

ST. MARY'S HEALTH WAGON, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 10: SUBSEQUENT EVENTS

Management has considered subsequent events through September 26, 2014; the date on which the financial statements were available to be issued. Management is not aware of any subsequent events that require recognition or disclosure in the financial statement.

ST. MARY'S HEALTH WAGON, INC.
SCHEDULE OF REVENUES AND EXPENDITURES
RURAL HEALTH CARE SERVICES OUTREACH GRANT PROGRAM
FOR THE YEAR ENDED DECEMBER 31, 2013

Revenue	\$ 540,004
Expenditures	
Salaries & Wages	\$ 173,206
Fringe Benefits	63,750
Equipment and Software	43,868
Materials and Supplies	2,775
Travel	553
Other Expense	38,905
Contractual Cost	<u>216,947</u>
TOTAL EXPENDITURES	<u><u>\$ 540,004</u></u>

ST. MARY'S HEALTH WAGON, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013

FEDERAL GRANTING AGENCY / RECEIPT STATE AGENCY / GRANT PROGRAM / GRANT NUMBER	FEDERAL CATALOGUE NUMBER	EXPENDITURES
DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Direct Payments		
Health Resources and Services Administration	93.515	\$ 540,004
Total Federal Expenditures		\$ 540,004

**ST. MARY'S HEALTH WAGON, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

Section 1 - Summary of Auditors Results

Financial Statements

Type of Opinion Issued:	Unqualified
Internal Control over financial reporting:	
Material Weakness(es) identified?	No
Significant deficiencies in internal control were disclosed by the audit of the financial statements?	No
Noncompliance material to financial statements?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies in internal control were disclosed by the audit of the financial statements?	No
Type of auditor's opinion issued on compliance for major programs:	Unqualified
Any findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	No

Major programs identified:

CFDA

Health Resources and Services Admin.	93.515
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Dollar threshold used to distinguish between Type A and Type B programs:	\$ 300,000
Auditee qualified as low risk?	Yes