

**HEALTH SERVICES CENTER, INC.**  
**AUDITED FINANCIAL STATEMENTS**  
**AND ADDITIONAL INFORMATION**  
**DECEMBER 31, 2012 AND 2011**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Health Services Center, Inc.

### Report on the Financial Statements

We have audited the accompanying financial statements of Health Services Center, Inc. (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets – modified cash basis of as of December 31, 2012 and 2011, and the related statements of support, revenue, and expenses – modified cash basis for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note A; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 audits. We conducted our audits 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 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 financial statement presentation.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Health Services Center, Inc. as of December 31, 2012 and 2011, and its support, revenue, and expenses for the years then ended in accordance with the modified cash basis of accounting described in note A.

### **Basis of Accounting**

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

### **Other Matters**

#### **Other Information**

Our audits were 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 basic financial statements taken as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2013, on our consideration of Health Services Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Health Services Center, Inc.'s internal control over financial reporting and compliance.

Curvin + King, LLC

Jacksonville, Alabama  
June 20, 2013

**HEALTH SERVICES CENTER, INC.**  
**STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS**  
**MODIFIED CASH BASIS**  
**DECEMBER 31, 2012 AND 2011**

<b>ASSETS</b>	<u><b>2012</b></u>	<u><b>2011</b></u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 82,280	\$ 35,744
<b>Property and Equipment</b>		
Land	33,570	33,570
Buildings and improvements	578,219	528,483
Furniture and fixtures	28,074	28,074
Equipment	273,863	230,639
Transportation equipment	247,808	289,014
<b>Total Property and Equipment</b>	<u>1,161,534</u>	<u>1,109,779</u>
Less: Accumulated depreciation	<u>545,410</u>	<u>532,766</u>
<b>Net Property and Equipment</b>	<u>616,124</u>	<u>577,014</u>
<b>Total Assets</b>	<u><u>\$ 698,404</u></u>	<u><u>\$ 612,758</u></u>

See independent auditors' report and notes to financial statements.

<b>LIABILITIES AND NET ASSETS</b>	<u>2012</u>	<u>2011</u>
<b>Current Liabilities</b>		
Payroll taxes payable	\$ 6,785	\$ 10,927
Notes payable, current maturities	-	4,448
	<u>6,785</u>	<u>15,375</u>
<b>Total Current Liabilities</b>	6,785	15,375
<b>Long-Term Debt</b>		
Notes payable	-	12,942
	<u>-</u>	<u>12,942</u>
<b>Total Liabilities</b>	6,785	28,317
<b>Net Assets</b>	<u>691,619</u>	<u>584,440</u>
 <b>Liabilities and Net Assets</b>	 <u>\$ 698,404</u>	 <u>\$ 612,758</u>

**HEALTH SERVICES CENTER, INC.**  
**STATEMENTS OF SUPPORT, REVENUES AND EXPENSES**  
**AND CHANGES IN NET ASSETS - MODIFIED CASH BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>Support and revenue</b>		
Contributions	\$ 1,601,465	\$ 348,017
Federal grants	3,943,339	4,413,700
State and local funds	432,909	273,049
Interest income	9	66
Other income	<u>175,431</u>	<u>124,558</u>
<b>Total Support and revenue</b>	6,153,153	5,159,390
<b>Expenses</b>		
Salaries and wages	2,134,558	2,316,459
Retirement contributions	79,037	97,948
Employee benefits	196,241	232,003
Payroll taxes	162,699	180,714
Professional fees	21,465	16,585
Telephone	19,392	15,718
Occupancy	217,365	238,031
Equipment rental and maintenance	57,286	92,151
Travel, conferences and meetings	94,683	126,779
Interest	4,596	2,206
Depreciation	86,122	92,841
Specific assistance	2,735,609	1,447,941
Insurance	55,816	66,330
Vehicle maintenance	16,389	32,324
Office related expenses	109,366	108,080
Taxes and licenses	31,547	28,350
Miscellaneous	<u>23,802</u>	<u>7,564</u>
<b>Total Expenses</b>	<u>6,045,974</u>	<u>5,102,022</u>
<b>Change in Net Assets</b>	107,179	57,368
<b>Net Assets, beginning of year</b>	<u>584,440</u>	<u>527,072</u>
<b>Net Assets, end of year</b>	<u>\$ 691,619</u>	<u>\$ 584,440</u>

See independent auditors' report and notes to financial statements.

**HEALTH SERVICES CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012 AND 2011**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Activities

Health Services Center, Inc. (the Center) is a nonprofit community based organization primarily formed to educate and medically assist people who are stricken with Acquired Immune Deficiency Syndrome (AIDS) or Human Immunodeficiency Virus (HIV). The Center, formed in 1990, is located in Hobson City, Alabama and serves clients in a fourteen-county area of East Alabama. The Center is supported primarily through federal and state grants and donor contributions.

Basis of Presentation

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Generally accepted accounting principles require that financial statements be prepared on the accrual basis of accounting. The primary difference relates to when revenues and expenses are recorded. Cash basis accounting is the method in which revenue is recognized when cash is received, and expense is recognized when cash is disbursed. Accrual basis accounting is the method in which revenue is recognized when earned, and expense is recognized when incurred.

Property and Equipment

Fixed assets are recorded at cost and are depreciated over their estimated useful lives using the straight-line method.

Income Taxes

The Center is a tax exempt organization under the provisions of Section 501(c)(3) of the Internal Revenue Code of 1954 as amended.

Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the reporting date and revenue and expenses during the reporting period. Actual results could differ from those estimates.

**HEALTH SERVICES CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Contributed Supplies and Services

The Center receives in kind contributions of medical and laboratory supplies, services from various pharmaceutical and laboratory agencies, and discounted physician and hospital bills. The estimated value of these supplies and services at December 31, 2012 and 2011 was \$1,599,090 and \$342,937, respectively.

Cash and Cash Equivalents

The Center considers all unrestricted highly liquid financial instruments with a maturity of three months or less to be cash equivalents.

**NOTE B – LONG-TERM DEBT**

The Center had a note with Wachovia Bank that matured on May 20, 2013. The note was due in monthly installments of \$454 and had an interest rate of 6.7%. The note was secured by all personal property of the Center. The Center paid the note off early. As a result, the balance was \$0 at December 31, 2012.

The Center has an \$84,000 line-of-credit with Wells Fargo Bank, N.A., Birmingham, Alabama. The line is secured with land and any building or fixtures on the land owned by the Center. The outstanding balance at December 31, 2012 and 2011, was \$0 and \$0, respectively.

**NOTE C – OPERATING LEASES**

The Center is a party to several operating leases. It leases office and medical space for its staff as well as housing for its clients. The following is a summary of the various lease agreements:

The Center leases space located in Valley, Alabama from David Ennis. Monthly lease payments are due in the amount of \$1,000. The lease commenced in August 2010 and ends in August 2013. Payments related to this lease totaled \$12,000 for the year.

The Center leases space located in Alexander City, Alabama from Bobby Chapman. Monthly lease payments are due in the amount of \$1,050. The lease period is month-to-month. Payments related to this lease totaled \$12,600 for the year.

**HEALTH SERVICES CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012 AND 2011**

**NOTE C – OPERATING LEASES (Continued)**

The Center leases space located in Hobson City, Alabama from Hobson City. Monthly lease payments are due in the amount of \$900. The lease commenced in January 2003 and ends in December 2022. Payments related to this lease totaled \$10,800 for the year.

The Center leases space located in Gadsden, Alabama from ENJG, LTD. Monthly lease payments are due in the amount of \$2,000. The lease commenced in January 2007 and ended in December 2011. This lease is month to month. Payments related to this lease totaled \$24,000 for the year.

The Center leases space located at Lyric Square in Anniston, Alabama from Lyric Square, LTD. Monthly lease payments are due in the amount of \$1,650 through September 30, 2012 and \$1,678 thereafter. The lease renewed on October 1, 2012 and ends in May 31, 2015. Payments related to this lease totaled \$19,884 for the year.

The Center leases space located in Anniston, Alabama from Service Realty & Insurance Company, Inc. Monthly lease payments are due in the amount of \$850. The lease renewed November 1, 2012 and ends November 1, 2014. Payments related to this lease totaled \$10,200 for the year.

The Center leases space in Gadsden, Alabama from the Etowah County Health Department. Monthly lease payments are due in the amount of \$500. The lease commenced on April 1, 2012 and ends March 21, 2013. Payments related to this lease totaled \$6,000 for the year.

The Center leases space in Anniston, Alabama from the Calhoun County Health Department. Monthly lease payments are due in the amount of \$500. The lease commenced on July 1, 2011 and ends June 30, 2013. Payments related to this lease totaled \$6,000 for the year.

**NOTE D – FUNCTIONAL CLASSIFICATIONS OF EXPENSES**

Approximately 90% of the Center's expenses relate to program services, while approximately 10% relate to management and general expenses.

**NOTE E – EMPLOYEE BENEFIT PLAN**

Full time employees who wish to forfeit their individual health insurance benefit are eligible for a comparable credit toward a personal tax-sheltered annuity retirement account. Additionally, employees of the Center may volunteer to participate in the retirement account by pre-tax payroll deduction, whether or not the Center pays any portion into the account. Expenses related to the retirement account at December 31, 2012 and 2011 totaled \$79,037 and \$97,948, respectively.

**HEALTH SERVICES CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**NOTE F – NET ASSETS AND CHANGES IN NET ASSETS**

The following is an approximation of the percentages of unrestricted and temporarily restricted net assets to total net assets at December 31, 2012.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Net assets, beginning of year	14.00%	86.00%
Change in net assets	<u>1.00%</u>	<u>-1.00%</u>
Net assets, end of year	<u>15.00%</u>	<u>85.00%</u>

**NOTE G - LOSS CONTINGENCIES**

The Center is involved in three legal matters. Two former employees have filed charges with the Equal Employment Opportunity Commission. At the time of this report, the EEOC was still investigating each of these matters. The Center has denied the allegations and intends to vigorously contest these matters. Another employee has filed a state court lawsuit alleging retaliatory discharge. The Center has denied this allegation and intends to vigorously contest this matter. The ultimate outcome cannot presently be determined. In management's opinion, the likelihood of a material adverse outcome is not likely. Accordingly, adjustments, if any that might result from the resolution of these matters have not been reflected in the financial statements.

**NOTE H – SUBSEQUENT EVENTS**

In preparing the financial statements, management evaluated subsequent events through June 20, 2013, the date the financial statements were available to be issued.

**ADDITIONAL INFORMATION**

**HEALTH SERVICES CENTER, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass-Through Number	Expenditures
<u>U.S. Department of Health and Human Services</u>			
Ryan White Title IV	93.153	N/A	\$ 323,148
SAMHSA CORE Program	93.243	N/A	277,683
SAMHSA CORE 2 Program	93.243	N/A	80,706
SAMHSA Project Real	93.243	N/A	309,632
SAMHSA BDT Program	93.243	N/A	63,496
SAMHSA Revolution Project	93.243	N/A	299,039
SAMHSA Project Vortex	93.243	N/A	320,043
SAMHSA Tele Health	93.243	N/A	248,989
Ryan White Part C Outpatient EIS Program	93.918	N/A	948,223
Special Projects of National Significance	93.928	N/A	419,566
Special Projects of National Significance	93.928	N/A	90,285
Pass-through programs from:			
United Way of Central Alabama, Inc.			
Ryan White Part B Program	93.917	RWHSC1213	255,109
Ryan White Part B Emerging Communities	93.917	ECHSC1213	4,381
<u>U.S. Department of Housing &amp; Urban Development</u>			
RHOP	14.241	N/A	254,954
Permanent Housing Plus	14.241	N/A	369,569
Rural Housing and Economic Development Program	14.250	N/A	<u>64,228</u>
Total Federal Awards			<u><u>\$ 4,329,051</u></u>

See accompanying notes to schedule of expenditures of federal awards.

**HEALTH SERVICES CENTER, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Health Services Center, Inc. under programs of the federal government for the year ended December 31, 2012. 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*. Because the Schedule presents only a selected portion of the operations of the Health Services Center, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Health Services Center, Inc.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- 1) Expenditures reported on the Schedule are reported on the modified cash basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- 2) Pass-through entity identifying numbers are presented where available.



**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**

Board of Directors  
Health Services Center, Inc.  
Hobson City, Alabama

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 Health Services Center, Inc. (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets – modified cash basis as of December 31, 2012, and the related statements of support, revenue and expenses – modified cash basis for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 20, 2013.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Health Services Center, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Health Services Center, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Health Services Center, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters 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.

Curvin + King, LLC

Jacksonville, Alabama

June 20, 2013



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Directors  
Health Services Center, Inc.  
Hobson City, Alabama

**Report on Compliance for Each Major Federal Program**

We have audited Health Services Center, Inc.'s compliance 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 Health Services Center, Inc.'s major federal programs for the year ended December 31, 2012. Health Services Center, Inc.'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 Health Services Center, 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 Health Services Center, Inc.'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 Health Services Center, Inc.'s compliance.

### **Opinion on Each Major Federal Program**

In our opinion, Health Services Center, 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, 2012.

### **Report on Internal Control over Compliance**

Management of Health Services Center, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Health Services Center, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an 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 an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Health Services Center, Inc.'s internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect 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 requirement 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 internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. 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.

Curvin + King LLC

Jacksonville, Alabama

June 20, 2013

**HEALTH SERVICES CENTER, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of Health Services Center, Inc.
2. No significant deficiencies were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Health Services Center, Inc. were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were disclosed during the audit.
5. The auditor's report on compliance for the major federal award programs for Health Services Center, Inc. expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs include:

<b>CFDA Number</b>	<b>Name of Federal Program</b>
14.241	HUD Permanent Housing Plus
93.153	HRSA Ryan White Title IV
93.243	SAMHSA Vortex Program
93.918	HRSA Ryan White III
93.928	HRSA

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Health Services Center, Inc. was determined to be a low-risk auditee.

**FINDINGS – FINANCIAL STATEMENTS AUDIT – (None reported)**

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS  
AUDIT – (None reported)**