Rehoboth McKinley Christian Health Care Services, Inc.

Consolidated Financial Statements, Supplementary Information and Independent Auditors' Reports

August 31, 2009 and 2008

Rehoboth McKinley Christian Health Care Services, Inc.

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Rehoboth McKinley Christian
Health Care Services, Inc.

Board of Trustees and Principal Employee
August 31, 2009

REDW LLC
The Rogoff Firm
CERTIFIED PUBLIC ACCOUNTANTS | BUSINESS & FINANCIAL ADVISORS

Independent Auditors' Report

Board of Trustees and Management of
Rehoboth McKinley Christian Health Care Services, Inc.
and
Mr. Hector H. Balderas, New Mexico State Auditor

We have audited the accompanying consolidated statements of financial position of Rehoboth McKinley Christian Health Care Services, Inc. (the "Hospital"), a not-for-profit corporation, as of August 31, 2009 and 2008, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards established by the Auditing Standards Board (United States) 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 audits to obtain reasonable assurance about whether the consolidated 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 audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Hospital as of August 31, 2009 and 2008, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2010, on our consideration of the Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying information identified in the table of contents as Supplementary Information Required by New Mexico State Auditor is presented for purposes of additional analysis, and to meet the requirements of the New Mexico Office of the State Auditor, 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.

REDW LLC

January 18, 2010

Consolidated Financial Statements

Rehoboth McKinley Christian Health Care Services, Inc.

Consolidated Statements of Financial Position
August 31,

	2009	2008
Assets		
Current assets		
Cash and cash equivalents	**$ 7,197,413**	$ 2,776,293
Patient accounts receivable, net of allowance for doubtful accounts of $10,900,000 in 2009 and 2008	**6,366,020**	10,264,276
Sole community provider and other receivables	**5,028,260**	3,522,819
Inventories	**866,009**	875,307
Prepaid expenses and deposits	**774,966**	868,604
Total current assets	**20,232,668**	18,307,299
Property, plant and equipment, net	**15,729,919**	20,087,367
Cash designated for future use	**1,500,000**	-
Bond funds and other investments	**2,662,088**	3,466,376
Other assets, net	**751,920**	779,207
Total assets	**$ 40,876,595**	$ 42,640,249
Liabilities and Net Assets		
Current liabilities		
Accounts payable	**$ 3,135,162**	$ 4,838,825
Accrued salaries and related liabilities	**4,576,011**	5,634,015
Estimated third party payor settlements	**9,190,954**	8,414,709
Current portion of long-term debt	**918,898**	1,246,289
Total current liabilities	**17,821,025**	20,133,838
Long-term debt, less current portion	**7,123,707**	8,089,783
Total liabilities	**24,944,732**	28,223,621
Net assets		
Unrestricted	**15,641,677**	13,809,236
Temporarily restricted	**184,482**	501,742
Permanently restricted	**105,704**	105,650
Total net assets	**15,931,863**	14,416,628
Total liabilities and net assets	**$ 40,876,595**	$ 42,640,249

The accompanying notes are an integral part of these consolidated financial statements.

Rehoboth McKinley Christian
Health Care Services, Inc.
Consolidated Statement of Activities
For the Year Ended August 31, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenue				
Net patient service	$ 57,167,570	$ -	$ -	$ 57,167,570
Sole community provider	7,708,064	-	-	7,708,064
Other	2,718,089	212,732	54	2,930,875
Net assets released from restrictions	529,992	(529,992)	-	-
Total operating revenue	68,123,715	(317,260)	54	67,806,509
Operating Expenses				
Salaries and payroll taxes	30,139,549	-	-	30,139,549
Supplies and other	7,485,377	-	-	7,485,377
Provision for bad debts	5,838,439	-	-	5,838,439
Purchased services	5,046,290	-	-	5,046,290
Contract labor	3,363,023	-	-	3,363,023
Employee benefits	2,877,391	-	-	2,877,391
Depreciation and amortization	2,816,846	-	-	2,816,846
Professional fees	2,597,083	-	-	2,597,083
Insurance	1,438,945	-	-	1,438,945
Repairs and maintenance	1,289,842	-	-	1,289,842
Utilities	1,131,993	-	-	1,131,993
Pharmaceuticals	1,123,446	-	-	1,123,446
Rentals and leases	341,141	-	-	341,141
Advertising	164,817	-	-	164,817
Property taxes	102,162	-	-	102,162
Total operating expenses	65,756,344	-	-	65,756,344
Operating income (loss)	2,367,371	(317,260)	54	2,050,165
Nonoperating income (expense)				
Investment income	670,729	-	-	670,729
Loss on sale of dialysis operation	(663,161)	-	-	(663,161)
Interest expense	(542,498)	-	-	(542,498)
Total nonoperating expense, net	(534,930)	-	-	(534,930)
Change in net assets	1,832,441	(317,260)	54	1,515,235
Net assets, beginning of year	13,809,236	501,742	105,650	14,416,628
Net assets, end of year	$ 15,641,677	$ 184,482	$ 105,704	$ 15,931,863

The accompanying notes are an integral part of these consolidated financial statements.

Rehoboth McKinley Christian
Health Care Services, Inc.
Consolidated Statement of Activities
For the Year Ended August 31, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenue				
Net patient service	$ 67,713,724	$ -	$ -	$ 67,713,724
Sole community provider	6,313,191	-	-	6,313,191
Other	2,941,084	248,385	6,540	3,196,009
Net assets released from restrictions	9,631	(9,631)	-	-
Total operating revenue	76,977,630	238,754	6,540	77,222,924
Operating Expenses				
Salaries and payroll taxes	37,454,862	-	-	37,454,862
Supplies and other	8,837,244	-	-	8,837,244
Provision for bad debts	7,402,698	-	-	7,402,698
Contract labor	3,369,910	-	-	3,369,910
Purchased services	3,293,280	-	-	3,293,280
Depreciation and amortization	2,975,213	-	-	2,975,213
Pharmaceuticals	2,524,252	-	-	2,524,252
Employee benefits	2,469,172	-	-	2,469,172
Professional fees	2,158,682	-	-	2,158,682
Utilities	1,517,912	-	-	1,517,912
Insurance	1,400,968	-	-	1,400,968
Repairs and maintenance	1,304,259	-	-	1,304,259
Rentals and leases	499,401	-	-	499,401
Advertising	272,435	-	-	272,435
Property taxes	105,186	-	-	105,186
Total operating expenses	75,585,474	-	-	75,585,474
Operating income (loss)	1,392,156	238,754	6,540	1,637,450
Nonoperating income (expense)				
Investment income	249,537	-	-	249,537
Other nonoperating income	121,397	-	-	121,397
Interest expense	(691,273)	-	-	(691,273)
Total nonoperating expense, net	(320,339)	-	-	(320,339)
Change in net assets	1,071,817	238,754	6,540	1,317,111
Net assets, beginning of year	12,737,419	262,988	99,110	13,099,517
Net assets, end of year	$ 13,809,236	$ 501,742	$ 105,650	$ 14,416,628

The accompanying notes are an integral part of these consolidated financial statements.

Rehoboth McKinley Christian
Health Care Services, Inc.
Consolidated Statements of Cash Flows
For the Years Ended August 31,

	2009	2008
Cash flows from operating activities		
Cash received from patients and third-party payors	**$ 56,003,632**	$ 59,069,853
Other receipts from operations	**9,133,498**	6,818,568
Cash paid to employees and suppliers	**(59,061,774)**	(62,232,494)
Interest paid	**(542,498)**	(691,273)
Net cash provided by operating activities	**5,532,858**	2,964,654
Cash flows from investing activities		
Purchase of property and equipment	**(1,274,576)**	(1,576,053)
Proceeds from sale of the dialysis operation	**1,500,000**	-
Proceeds from sale of property and equipment	**711,960**	410,261
Cash from bond funds and other investments	**744,345**	1,529,210
Net cash provided by investing activities	**1,681,729**	363,418
Cash flows from financing activities		
Payment of long-term debt	**(1,293,467)**	(2,212,737)
Net cash used for financing activities	**(1,293,467)**	(2,212,737)
Net increase in cash and cash equivalents	**5,921,120**	1,115,335
Cash and cash equivalents, beginning of year	**2,776,293**	1,660,958
Cash and cash equivalents, end of year	**$ 8,697,413**	$ 2,776,293
Reconciliation of change in net assets to net cash provided by operating activities		
Change in net assets	**$ 1,515,235**	$ 1,317,111
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	**2,816,846**	2,975,213
Provision for bad debts	**5,838,439**	7,402,698
(Gain)/loss on sale of property and equipment	**663,161**	(121,397)
Net changes in operating assets and liabilities		
Patient accounts receivable	**(1,940,183)**	(10,206,383)
Other receivables	**(1,505,441)**	(2,690,632)
Inventories	**9,298**	125,737
Prepaid expenses and deposits	**93,638**	(80,617)
Other assets	**27,287**	(56,454)
Accounts payable	**(1,703,663)**	1,775,041
Accrued salaries and related liabilities	**(1,058,004)**	961,825
Estimated third-party payor settlements	**776,245**	1,562,512
Net cash provided by operating activities	**$ 5,532,858**	$ 2,964,654
Reconciliation of cash and cash equivalents to the consolidated statements of financial position		
Cash and cash equivalents	**$ 7,197,413**	$ 2,776,293
Cash designated for future use	**1,500,000**	-
Total cash and cash equivalents	**$ 8,697,413**	$ 2,776,293
Supplemental schedule of noncash investing and financing activities		
Equipment acquired through capital lease	**$ -**	$ 686,666

The accompanying notes are an integral part of these consolidated financial statements.

1) Organization and Summary of Significant Accounting Policies

Organization

Rehoboth McKinley Christian Health Care Services, Inc. (the "Hospital") is a not-for-profit acute care hospital located in Gallup, New Mexico. The Hospital provides impatient, outpatient, and emergency care services to the residents of Gallup, McKinley County and the surrounding area.

These financial statements include the Hospital as well as Rehoboth McKinley Christian Health Care Services Foundation ("RMCHCS Foundation" or the "Foundation"), a wholly-owned not-for-profit subsidiary (see Note 17). The Hospital is the sole stated beneficiary of the Foundation. The Foundation is authorized by the Hospital to solicit contributions on its behalf. Intercompany balances and transactions have been eliminated in consolidation.

This summary of significant accounting policies of the Hospital is presented to assist in the understanding of the Hospital's financial statements. The financial statements and notes are the representations of the Hospital's management who is responsible for their integrity and objectivity. The financial statements have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to not-for-profit entities. The more significant of the Hospital's accounting policies are described below.

Basis of Presentation

Financial statement presentation follows the requirements of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Section 958-205, Not-for-Profit Entities–Presentation of Financial Statements. Under this section, the Hospital 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.

Use of Estimates

Financial statement preparation in conformity with U.S. 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 financial statement date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates contained in the Hospital's financial statements include the allowance for doubtful accounts, contractual allowance, estimated third party payor settlements and depreciation and amortization.

1) Organization and Summary of Significant Accounting Policies — continued

Cash and Cash Equivalents
For purposes of reporting cash flows, the Hospital includes all highly liquid debt instruments with original maturities of three months or less to be cash equivalents, which at times may exceed the federally insured limits. The Hospital has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash balances.

The Hospital has designated the proceeds of $1,500,000 from the sale of its dialysis clinics (see Note 15) for the future purchase of property, plant, and equipment based on the requirements of the Refunding and Improvement Bond Master Trust Indenture. As of August 31, 2009, there have been no capital purchases with these restricted funds.

Accounts Receivable Allowances
Contractual allowances represent the amounts which reduce patient accounts receivable to amounts that are considered to be due from third-party payors based on existing contracts the Hospital has with these payors. The contractual allowance percentages are updated several times per year by payor class and line of business and are based upon the accounts within that payor category that have been adjusted over the previous six months for which the total of the payments and adjustments recorded to the account were greater than 90% of the original gross charges. Contractual allowances are deducted from gross patient accounts receivable on the consolidated statements of financial position.

The allowance for doubtful patient accounts receivable is that amount which, in management's judgment, is considered adequate to reduce patient accounts receivable to an amount that is considered to be ultimately collectible. The Hospital calculates its allowance for doubtful accounts based on percentages of accounts receivable aging categories that consider historical write-offs by major payor categories over the past several years.

Management believes that the allowances for doubtful accounts and contractual allowances are adequate. Because of the uncertainty regarding the ultimate collectibility of patient accounts receivable, there is a possibility that recorded estimates of the allowance for doubtful accounts and contractual allowances will change by a material amount in the near term.

1) Organization and Summary of Significant Accounting Policies — continued

Accounts Receivable Allowances — continued
On a monthly basis, the Hospital evaluates patient accounts receivable balances older than six months to determine collectibility. Accounts are considered uncollectible when there has been no recent payment activity and no other indication that payment will be received. Those balances that are considered uncollectible are written off upon approval from the Director of Patient Financial Services, Chief Financial Officer and Chief Executive Officer depending on the balance of the account. During 2009, the Hospital wrote off approximately $8.5 million in patient accounts receivable based on these procedures.

Inventories
Inventories are stated at lower of cost or market (the first-in, first-out method) and consist primarily of medical supplies and medications.

Property, Plant, and Equipment
Property, plant and equipment are recorded at cost. Property and equipment donated for Hospital operations are recorded at fair value at the date of donation as additions to temporarily restricted net assets when the assets are placed in service. Assets held under capital leases are recorded at the lower of the net present value of the minimum lease payments or the fair value of the leased asset at the inception of the lease. Additions, improvements and other capital outlays that significantly extend the useful life of an asset and are greater than $1,000 are capitalized. Costs incurred for repair and maintenance are expensed as incurred.

In September 1995, the Hospital renewed its facility lease agreement with McKinley County, New Mexico for 25 additional years. The lease was extended in 2006 to a total of 33 years. The annual rent paid to the County for the use of the Hospital facility is $1 per year. Since the original lease agreement dates back to the 1970s and the original fair value of the building would be almost fully amortized at August 31, 2009 and 2008, the net book value of the contribution receivable is considered insignificant to the financial statements. The fair market value of this lease and the offsetting donation income have not been recorded since the fair rental value of the hospital facility is not determinable, and management does not believe such amounts, if any, would be material to the financial statements.

Depreciation is computed using the straight-line method over the assets' estimated useful lives ranging from 3 to 40 years. Leasehold improvements are amortized over their useful lives not to exceed the term of the related lease.

1) Organization and Summary of Significant Accounting Policies — continued

Bond Funds and Other Investments
Bond funds and other investments primarily include assets held by trustees under indenture agreements, investments in the Hospital's risk retention group, and certain donor restricted assets.

The Hospital values its investments in equity securities with readily determinable fair values and all investments in debt securities at fair value in the accompanying consolidated statements of financial position. Unrealized gains and losses are included in investment income in the accompanying consolidated statements of activities.

Net Assets and Changes Therein
Net assets and income, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Hospital and changes therein are classified and reported as follows:

Unrestricted—Unrestricted net assets represent those resources that are not restricted by donors, or for which donor-imposed restrictions have expired.

Temporarily Restricted—Temporarily restricted net assets reflect donor-imposed restrictions that require the Hospital to use or expend the related assets as specified. The restrictions are satisfied either by the passage of time or by the satisfaction of donor specified use.

The Hospital records contributions as temporarily restricted if they are received with donor stipulations that limit their use through either purpose or time restrictions. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets. Temporarily restricted contributions received and expended in the same accounting period are recorded in the unrestricted net asset category.

Permanently Restricted—Permanently restricted net assets reflect donor-imposed restrictions which stipulate that the related resources be maintained in perpetuity, but which permit the Hospital to expend part or all of the income and capital appreciation derived from the donated assets for either specified or unspecified purposes.

1) Organization and Summary of Significant Accounting Policies — continued

Debt Issuance Costs
Deferred debt issuance costs are included with other long-term assets on the accompanying consolidated statements of financial position, and are amortized using the straight-line method over the term of the related debt. Amortization of deferred debt issuance costs is included with depreciation and amortization expense in the accompanying consolidated statements of activities. Total debt issuance costs were $789,449. Accumulated amortization of debt issuance costs totaled $113,802 and $66,975 at August 31, 2009 and 2008, respectively.

Charity Care
The Hospital provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as revenue. The Hospital maintains records to identify and monitor the level of charity care provided. Those records include the amount of charges foregone for services and supplies furnished under the Hospital's charity care policy and aggregated approximately $1,092,771 and $3,360,749 in 2009 and 2008, respectively.

Tax Status
The Hospital and the Foundation are exempt from state and federal income taxes on related income under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3). The Hospital and the Foundation are classified as other than private foundations.

Advertising Costs
Advertising costs are expensed as incurred. Advertising expense totaled $164,817 and $272,435 for the years ended August 31, 2009 and 2008, respectively.

Reclassifications
Certain reclassifications have been made to the 2008 financial information to conform to the 2009 financial statement presentation. Such reclassifications had no effect on the 2008 change in net assets.

Subsequent Events
Subsequent events have been evaluated through January 18, 2010, the date which the financial statements were available to be issued.

2) Net Patient Service Revenue

Agreements with third-party payors provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on the estimated basis in the period the related services are rendered and adjusted in future periods as more information is available to improve estimates or final settlements are determined.

A summary of payment arrangements with major third-party payors follows:

Medicare—Services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient nonacute services, behavioral inpatient services, certain outpatient services, and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual costs reports by the Hospital and audits thereof by the Medicare fiscal intermediary.

Medicaid—The State of New Mexico (the "State") administers its Medicaid program through both traditional Medicaid and through contracts with Managed Care Organizations (MCOs). For MCOs, Medicaid beneficiaries are required to enroll with one of the MCOs. The State pays each MCO a per member, per month rate based on their current enrollment. These amounts are allocated by each MCO to separate pools for the hospital, physicians, and ancillary providers. As a result, the MCOs assume the financial risk of providing health care to its members. This arrangement is commonly referred to as "SALUD!."

Through traditional Medicaid and contracts with MCO's, inpatient services are paid at prospectively determined rates per discharge and discounted fee schedules while outpatient services are paid based on interim rates. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary.

2) Net Patient Service Revenue — continued

Medicare and Medicaid cost report liabilities are as follows:

	August 31, 2009 Amount	Current Status	August 31, 2008 Amount
Medicare			
2007	$ 50,000	Tentative Settlement	$ -
2008	61,106	Tentative Settlement	194,026
2009	-	Not filed	-
	111,106		194,026
Medicaid			
2002	-	Closed	265,947
2003	-	Closed	620,917
2004	1,037,519	Closed	1,391,986
2005	471,244	Closed	971,198
2006	755,083	Closed	1,187,519
2007	2,064,944	Closed	1,891,558
2008	2,375,529	Unaudited	1,891,558
2009	2,375,529	Not filed	-
	9,079,848		8,220,683
Estimated third party payor settlements	$ 9,190,954		$ 8,414,709

Management believes that these estimates are adequate. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Estimates are continually monitored and reviewed, and as settlements are made or more information is available to improve estimates, differences are reflected in current operations.

Settlements of prior-year cost reports and changes in estimates resulted in increases to net patient service revenue of approximately $988,000 and $233,000 in the years ended August 31, 2009 and 2008, respectively.

Other Third-Party Payors—The Hospital has also entered into payment agreements with certain commercial insurance carriers. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established changes and prospectively determined daily rates.

2) Net Patient Service Revenue — continued

The following summary details the components of net patient service revenue for the years ended August 31:

	2009	2008
Continuing operations		
Gross charges - inpatient	**$ 43,932,675**	$ 46,251,450
Gross charges - outpatient	**71,333,177**	78,613,710
Third party contractual allowances	**(57,729,437)**	(59,241,432)
Charity care	**(1,092,771)**	(3,210,102)
Net patient service revenue from continuing operations	**56,443,644**	62,413,626
Discontinued operations - dialysis (Note 15)		
Gross charges - inpatient	**79,250**	586,127
Gross charges - outpatient	**679,326**	29,468,871
Third party contractual allowances	**(34,650)**	(24,604,253)
Charity care	**-**	(150,647)
Net patient service revenue from discontinued operations	**723,926**	5,300,098
Net patient service revenue	**$ 57,167,570**	$ 67,713,724

3) Bond Funds and Other Investments

The composition of bond funds and other investments at August 31 is as follows:

	2009	2008
Held by trustee under indenture agreement related to Series 2007 Revenue Bonds		
Cash and cash equivalents	**$ 78,808**	$ 2,318
Private debt obligations	**645,311**	645,300
	724,119	647,618
Series 2007 Revenue Bonds project fund		
Money market funds	**434,385**	1,662,478
Working capital loan fund held in escrow		
Money market funds	**-**	286,366

3) Bond Funds and Other Investments — continued

	2009	2008
Irrevocable trust - 457(b) plan		
Money market funds	**7,918**	10,662
Equity securities	**91,889**	78,620
Fixed income securities	**36,721**	56,640
	136,528	145,922
RMCHCS Foundation		
Certificate of deposit	**105,654**	103,128
Investment in risk retention group		
Cash and cash equivalents	**1,237,125**	585,228
Unexpended mill levy funds		
Other	**24,277**	35,636
	$ 2,662,088	$ 3,466,376

Investment income from cash and cash equivalents, short-term investments, bond funds and other investments consists of the following for the years ended August 31:

	2009	2008
Dividends and interest	**$ 683,107**	$ 248,026
Net unrealized gains and losses	**(12,378)**	1,511
Total	**$ 670,729**	$ 249,537

4) Fair Value Disclosures

Fair Value Measurements
The Hospital adopted FASB ASC Section 820, Fair Value Measurements and Disclosures, effective August 31, 2009. The adoption did not have a material impact on the August 31, 2009 financial statements. This section applies to all assets and liabilities that are being measured and reported on a fair value basis. This section requires new disclosures that establish a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. This section enables readers of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of

4) Fair Value Disclosures — continued

Fair Value Measurements — continued
the information used to determine fair values. This section requires that assets and liabilities carried at fair value be classified in one of the following three categories:

- *Level 1*: Quoted market prices in active markets for identical assets and liabilities.
- *Level 2*: Observable market-based inputs or unobservable inputs that are corroborated by market data.
- *Level 3*: Unobservable inputs that are not corroborated by market data.

For the year ended August 31, 2009, the application of valuation techniques to similar assets and liabilities has been consistent with previous years. The fair value of investment securities is the market value based on quoted market prices, or market prices provided by recognized broker dealers. In determining the appropriate valuation levels, the Hospital performed a detailed analysis of the assets and liabilities that are subject to FASB ASC Section 820. The Hospital's bond funds and other investments are the only assets or liabilities that are measured at fair value on a recurring basis and are, therefore, subject to FASB ASC Section 820.

The valuation of the Hospital's bonds funds and other investments, as described at Note 3, represent level 1 inputs as defined above.

Fair Value of Financial Instruments
For financial statement purposes, receivables, bond funds and other investments, accounts payable, and debt are considered financial instruments. The Hospital estimates that the fair value of these financial instruments at August 31, 2009 and 2008, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying consolidated statements of financial position.

5) Property, Plant and Equipment

A summary of property, plant and equipment at August 31, follows:

	2009	2008
Equipment	**$ 26,529,913**	$ 30,043,217
Buildings and improvements	**27,500,583**	29,298,836
Land improvements	**1,431,672**	1,458,701
	55,462,168	60,800,754
Accumulated depreciation and amortization	**(40,467,218)**	(41,827,620)
	14,994,950	18,973,134
Land	**734,969**	734,969
Construction in progress	**-**	379,264
	$ 15,729,919	$ 20,087,367

6) Long-Term Debt

Long-term debt consists of the following at August 31:

	2009	2008
Series 2007A New Mexico Hospital Equipment Loan Council Hospital Facility Refunding and Improvement Bonds; issued under an Indenture of Trust; interest on the basis of a 360-day year at 5.00% until 2017 and 5.25% until maturity; principal payments range from \$100,000 to \$610,000; principal and interest payable annually on August 15 from 2009 through 2026; collateralized by the County Lease between the Hospital and the County of McKinley and buildings owned by the Hospital, secured by pledged revenues	**$ 7,145,000**	$ 7,245,000
Series 2007A-T New Mexico Hospital Equipment Loan Council Hospital Facility Refunding and Improvement Bonds; issued under an Indenture of Trust; interest on the basis of a 360-day year at 6.40%; principal payments range from \$75,000 to \$160,000; principal and interest payable annually on August 15 through 2009; collateralized by the County Lease between the Hospital and the County of McKinley and buildings owned by the Hospital	**-**	150,000

6) Long-Term Debt — continued

	2009	2008
Working capital loan with Wells Fargo Bank; interest at 6.15% due monthly; principal payments due in the amount by which the outstanding principal balance exceeds $1,850,000 at January 15, 2008 and $1,100,000 at January 15, 2009; all outstanding principal and interest is due November 15, 2009; loan is collateralized by and payments are made from Mill Levy funds.	-	180,165
Present value of capital leases that expire at various dates through February 2012; interest rates ranging from 3.6% to 20.5%; secured by equipment	**897,605**	1,760,907
Total long-term debt	**8,042,605**	9,336,072
Less current portion	**(918,898)**	(1,246,289)
Long-term debt, less current portion	**$ 7,123,707**	$ 8,089,783

In March 2007, the Hospital issued the Series 2007A bonds to refund the outstanding Series 1996 and Series 2000 bonds, to finance the costs of the acquisition of certain equipment, to fund a project fund (see Note 3), and to pay certain costs of issuance for the Series 2007A bonds.

The Refunding and Improvement Bond Master Trust Indenture (the “Indenture”) requires the Hospital to make monthly deposits with a trustee for payment on the bonds. Such deposits (see “Series 2007 Revenue Bonds” at Note 3) are included with bond funds and other investments in the accompanying consolidated statements of financial position. The bond agreement also places certain limits on the incurrence of additional debt and requires that the Hospital satisfy certain measures of financial performance as long as the bonds are outstanding. At August 31, 2009 and 2008, the Hospital was in compliance with all applicable requirements and covenants of the bond agreement.

The cost of equipment under capital leases is included in property, plant and equipment in the consolidated statements of financial position and was $4,156,746 and $4,876,278 at August 31, 2009 and 2008, respectively. Accumulated amortization on the leased equipment at August 31, 2009 and 2008 was $2,342,389 and $2,431,531, respectively. Amortization of assets under capital leases is included in depreciation and amortization expense in the consolidated statements of activities.

6) Long-Term Debt — continued

Required principal payments on long-term debt are as follows:

	Bonds Payable	Capital Leases
Year ending August 31,		
2010	$ 275,000	$ 698,423
2011	290,000	175,942
2012	300,000	99,247
2013	320,000	-
2014	335,000	-
Thereafter	5,625,000	-
	$ 7,145,000	973,612
Less amounts representing interest		(76,007)
		$ 897,605

7) Operating Leases

The Hospital has noncancelable operating leases primarily for equipment. Future minimum lease payments under the leases at August 31, 2009, are as follows:

Year ending August 31,	
2010	$ 345,894
2011	309,444
2012	309,444
2013	309,444
2014	232,083
Total minimum lease payments	$ 1,506,309

Total rental expense under operating leases was approximately $156,000 and $62,000 in 2009 and 2008, respectively.

8) Employee Benefits

The Hospital has established a Section 403(b) retirement plan (the "plan"). There is no minimum period of service or age in order to be eligible to participate; however, employees must make a minimum contribution to be eligible for a discretionary 100% employer match contribution of up to 3% of the employee's salary. Additionally, the Hospital will match 50% of additional contributions up to 5% of the employee's salary. At August 31, 2009, a total of $1,178,680 was accrued for employer contributions, of which $715,306 was applicable to calendar year 2008 and $463,374 to the first eight months of calendar year 2009. At August 31, 2008, a total of $1,022,000 was accrued for employer contributions, of which $602,000 was applicable to calendar year 2007 and $420,000 to the first eight months of calendar year 2008.

Effective January 1, 2003, the Hospital adopted a nonqualified deferred compensation plan under Section 457(b) of the Internal Revenue Code. The plan enables certain key employees to enhance their retirement security by deferring compensation in addition to 403(b) deferrals. An irrevocable trust was established to satisfy the financial obligations to provide benefits to participants under the plan. Participants do not have a secured interest in the assets held in the trust; as such assets remain the property of the Hospital and are subject to creditor claims. The funded amount of the trust for the years ended August 31, 2009 and 2008, was $136,528 and $145,922, respectively, and is included in bond funds and other investments in the consolidated statements of financial position. The related liabilities of $136,528 and $145,922 are included in accrued salaries and related liabilities in the consolidated statements of financial position.

9) Employee Health Insurance Benefit Program

The Hospital has retained liability for certain employee health claims up to $100,000 per claim and $1,500,000 in the aggregate annually and has purchased insurance for claims in excess of these amounts. Management believes that adequate reserves have been established as of August 31, 2009 and 2008, to cover claims which have been incurred but not reported. Such reserves are included in accrued salaries and related liabilities in the accompanying consolidated statements of financial position.

10) Sole Community Provider

The Hospital participates in a sole community provider indigent care program administered by the State of New Mexico. Revenue from this program in 2009 and 2008 totaled \$7.7 million and \$6.3 million, respectively. Approximately \$4.3 million and \$2.7 million as of August 31, 2009 and 2008, respectively, is included in sole community provider and other receivables in the consolidated statements of financial position.

11) Other Operating Revenue

Other operating revenue includes the following:

Ad Valorem Tax Levy
A New Mexico state law adopted in 1980 and amended in 1981 allows for counties to provide tax support to qualifying hospitals. A property tax levy for two mills was approved by the county voters in fiscal year 2004. Revenue from the levy was \$1,317,292 and \$1,554,719 in the years ended August 31, 2009 and 2008, respectively. The current mill levy expires in July 2012.

Other
Other operating revenue also includes cafeteria, gift shop, donation and grant revenues.

12) Concentrations of Credit Risk

The Hospital provides credit, in the normal course of business, to patients located primarily in Gallup, McKinley County and the surrounding area and their respective insurance companies. The Hospital does not require collateral with the extension of credit. The Hospital maintains an allowance for doubtful accounts based on management's assessment of collectibility, current economic conditions, and prior experience. Because of the uncertainty regarding the ultimate collectibility of patient accounts receivable, there is at least a reasonable possibility that recorded estimates of the allowance for doubtful accounts and contractual allowances will change by a material amount in the near term.

12) Concentrations of Credit Risk — continued

The mix of gross accounts receivable from patients and third-party payors was as follows at August 31:

	2009	2008
Medicare	**26%**	34%
Medicaid	**12**	20
Other third-party payors	**37**	25
Patients	**25**	21
	100%	100%

13) Commitments and Contingencies

Healthcare Regulatory Environment—The healthcare industry is subject to laws and regulations of federal, state and local governments. These laws and regulations include, but are not limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs, the imposition of significant fines and penalties and significant repayments for patient services previously billed.

Management believes that the Hospital is in compliance with applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

The Health Insurance Portability and Accountability Act (HIPAA) was enacted August 21, 1996, to assure health insurance portability, guarantee security and privacy of health information, enforce standards for health information and establish administrative simplification provisions. Management believes that the Hospital is in the compliance with all applicable provisions of HIPAA.

Litigation—The Hospital is involved in litigation arising in the ordinary course of business. Claims alleging malpractice have been asserted against the Hospital and are currently in various stages of litigation. In management's opinion, upon consultation with legal counsel, malpractice coverage is adequate to cover adverse judgments, if any, made against the Hospital.

13) Commitments and Contingencies — continued

Malpractice Insurance—Effective March 1, 2003, pursuant to the Federal Risk Retention Act and under the captive insurance company provisions of Vermont law, the Hospital is insured under and is a founding subscriber in the VHA Mountain States Reciprocal Risk Retention Group for the purpose of providing insurance for malpractice and general liability coverage. The policy is on a claims-made basis with a per occurrence deductible of $25,000 and maximum aggregate coverage of $5,000,000 for the Hospital and $10,000,000 aggregate for all fifteen member hospitals. The premiums accrue based on the ultimate experience of the group of health care entities. At August 31, 2009, the Hospital cannot estimate the additional premiums, if any, which may accrue as a result of the Group's experience to date.

Selected employed physicians are covered under the same risk retention group on a claims-made basis with maximum aggregate coverage of $1,000,000/$3,000,000.

Workers' Compensation Insurance—Pursuant to the New Mexico Self Insurance Act, the Hospital is insured under the New Mexico Hospital Workers Compensation Group for the purpose of providing insurance for workers' compensation coverage. The policy is retrospectively rated; premiums accrue based on the ultimate cost of the experience of a group of health care entities. At August 31, 2009, the Hospital cannot estimate the additional premiums or refunds, if any, which may accrue as a result of the Group's experience to date.

14) Functional Expense Classification

In recording the activities of the Hospital, expenses are specifically tracked or allocated on the basis of periodic time and expense studies, and recorded in the following functional categories:

	2009	2008
Health care services	**$ 37,671,872**	$ 47,938,955
Management and general	**29,096,337**	27,938,964
Fundraising	**193,794**	277,431
	$ 66,962,003	$ 76,155,350

15) Sale of Dialysis Centers

Effective September 1, 2008, the board of trustees approved the sale of the Hospital's outpatient dialysis centers to Red Rocks Dialysis at a price of $1,500,000 and with approval from the Trustee of the Bond Indenture. The sale resulted in a loss to the Hospital of $663,161, which is recorded as a nonoperating expense in the consolidated statements of activities. The impact on net patient service revenue for fiscal years 2009 and 2008 is described at Note 2. Operating expenses related to the dialysis centers in fiscal years 2009 and 2008 were $495,000 and $8,916,000, respectively.

As of August 31, 2009, the Hospital, in partnership with McKinley County, was in the process of constructing a new dialysis center. This construction is ongoing and is expected to be completed within the next two years. The building will remain an asset of McKinley County, with all equipment purchased for the dialysis center recorded as an asset of the Hospital. Upon completion, it is expected that the building will be leased to the Hospital, and the Hospital will subsequently sublease this property to Red Rocks Dialysis. There was no equipment or construction in progress related to this building recorded in the Hospital's financial statements as of August 31, 2009.

16) Economic Dependency

The Hospital receives a significant amount of revenue from the State's Sole Community Provider program (see Note 10) and from Ad Valorem Tax levies (see Note 11). The Hospital is economically dependent on the continuation of these revenues.

17) RMCHCS Foundation Summarized Financial Statements

Summarized financial statements for RMCHCS Foundation as of and for the years ended August 31, are as follows:

	2009	2008
Assets		
Current assets	$ 263,872	$ 416,877
Investments	105,656	103,128
Other assets	2,588	3,179
Total assets	$ 372,116	$ 523,184
Liabilities and Net Assets		
Current liabilities	$ 179,069	$ 129,958
Total liabilities	179,069	129,958
Net assets (deficit)		
Unrestricted	(97,139)	(214,166)
Temporarily restricted	184,482	501,742
Permanently restricted	105,704	105,650
Total net assets	193,047	393,226
Total liabilities and net assets	$ 372,116	$ 523,184

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Other revenue	$ 117,027	$ 212,732	$ 54	$ 329,813
Net assets released from restrictions	529,992	(529,992)	-	-
Total operating revenue	647,019	(317,260)	54	329,813
Total operating expenses	529,992	-	-	529,992
Operating income (loss)	117,027	(317,260)	54	(200,179)
Change in net assets	117,027	(317,260)	54	(200,179)
Net assets (deficit), beginning of year	(214,166)	501,742	105,650	393,226
Net assets (deficit), end of year	$ (97,139)	$ 184,482	$ 105,704	$ 193,047

17) RMCHCS Foundation Summarized Financial Statements — continued

	2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Other revenue	$ 49,587	$ 248,385	$ 6,540	$ 304,512
Net assets released from restrictions	9,631	(9,631)	-	-
Total operating revenue	59,218	238,754	6,540	304,512
Total operating expenses	277,431	-	-	277,431
Operating income (loss)	(218,213)	238,754	6,540	27,081
Nonoperating income (expense)	(79,394)	-	-	(79,394)
Change in net assets	(297,607)	238,754	6,540	(52,313)
Net assets, beginning of year	83,441	262,988	99,110	445,539
Net assets (deficit), end of year	$ (214,166)	$ 501,742	$ 105,650	$ 393,226

Supplementary Information Required
by New Mexico State Auditor

Rehoboth McKinley Christian
Health Care Services, Inc.
Supplemental Schedule of Pledged Collateral
August 31, 2009

Deposits

Financial Institution	Total Amount of Deposit in Bank	Insured Portion *	Required Collateralization 50% of Uninsured Portion	Collateral Pledged	Over/ (Under) Collateralized
Bank of America	$ 4,323,278	$ 4,323,278	$ -	$ -	$ -
Wells Fargo Bank	1,977,494	1,977,494	-	-	-
Gallup Federal Bank	248,788	248,788	-	-	-
Total	$ 6,549,560	$ 6,549,560	$ -	$ -	$ -

Repurchase Agreement

Financial Institution	Total Amount of Repurchase Agreement	Insured Portion	Required Collateralization 102% of Uninsured Portion	Collateral Pledged	Over/ (Under) Collateralized
Wells Fargo Bank	$ 2,320,780	$ -	$ 2,367,196	$ 2,320,780	$ (46,416)

Pledged collateral

Custodian	Type of Security	CUSIP Number	Sequence Number	Maturity Date	Fair Value
Wells Fargo Bank	FNCL	31413QW95	013926	9/1/2037	$ 2,320,780

* On October 14, 2008 the FDIC announced the Temporary Liquidity Guarantee Program. The program provides full deposit insurance coverage for non-interest bearing transaction accounts in FDIC-insured institutions, regardless of the amount.

Rehoboth McKinley Christian
Health Care Services, Inc.
Supplemental Schedule of Deposits and Investments
August 31, 2009

Account Title	Account Type	Bank Balance	Reconciling Items	Book Balance
Cash and cash equivalents				
Wells Fargo Bank				
Operational	Checking	$ 1,538,247	$ (50)	$ 1,538,197
Operational	Depository	-	170,332	170,332
Operational	Accounts payable zero balance account	-	(429,973)	(429,973)
Operational	Payroll zero balance account	-	(53,653)	(53,653)
Operational	Pension account	439,247	-	439,247
Gallup Federal Bank				
Foundation Operational	Checking	15,482	(3,483)	11,999
Foundation Restricted Checking	Checking	233,306	-	233,306
Bank of America				
Operational	Accounts payable zero balance account	-	(25,485)	(25,485)
Operational	Payroll zero balance account	-	(491)	(491)
Operational	Depository	4,323,278	165,084	4,488,362
Total deposits		6,549,560	(177,719)	6,371,841
Wells Fargo Bank				
Repurchase agreement	Sweep	2,320,780	-	2,320,780
Short-term investments and other				
Petty cash	Cash	-	4,970	4,970
Flex comprehensive cash	Cash equivalent	-	(178)	(178)
Total cash and cash equivalents		$ 8,870,340	$ (172,927)	$ 8,697,413
Bond funds and other investments				
Wells Fargo Bank				
Project Fund	Cash equivalent	$ 434,385	$ -	$ 434,385
Series 2007 Bond Principal Fund	Cash equivalent	78,808	-	78,808
Series 2007 Bond Reserve Fund	Cash equivalent	645,311	-	645,311
Gallup Federal Bank				
RMCHCS Foundation certificate of deposit	Cash equivalent	105,654	-	105,654
Mountain States Healthcare Reciprocal Risk Retention Group				
Subscriber savings account	Cash equivalent	1,237,125	-	1,237,125
Zia Trust				
Irrevocable trust - 457(b) plan	Cash equivalent	7,918	-	7,918
Irrevocable trust - 457(b) plan	Equity securities	91,889	-	91,889
Irrevocable trust - 457(b) plan	Fixed income securities	36,721	-	36,721
Merrill Lynch				
Hadden Trust Investment	Cash equivalent	1,305	-	1,305
Hadden Trust Investment	Equity securities	22,972	-	22,972
Total bond funds and other investments		$ 2,662,088	$ -	$ 2,662,088

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 Trustees and Management of
Rehoboth McKinley Christian Health Care Services, Inc.
and
Mr. Hector H. Balderas, New Mexico State Auditor

We have audited the consolidated financial statements of Rehoboth McKinley Christian Health Care Services, Inc. (the "Hospital") as of and for the year ended August 31, 2009, as listed in the table of contents, and have issued our report thereon dated January 18, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital'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.*

We noted a certain other matter that is required to be reported under *Government Auditing Standards* paragraphs 5.14 and 5.16, and Section 12-6-5 NMSA 1978, which is described in the accompanying schedule of findings and responses as item SA 09-1.

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

This report is intended solely for the information and use of the boards of trustees, management, others within the Hospital, the New Mexico Office of the State Auditor, and the New Mexico Legislature, and is not intended to be and should not be used by anyone other than these specified parties.

REDW LLC

January 18, 2010

Rehoboth McKinley Christian
Health Care Services, Inc.
Schedule of Findings and Responses
For the Year Ended August 31, 2009

The following finding is reported in accordance with the New Mexico State Audit Rule 2 NMAC 2.2., *Requirements for Contracting and Conducting Audits of Agencies*.

SA 09-1 — Cash Collateralization (Prior Year Finding SA 08-1)

Criteria or Specific Requirement: In accordance with Section 6-10-10 (H), NMSA, 1978 Compilation, all repurchase agreements "shall be fully secured by obligations of the United States or other securities backed by the United States having a market value of at least 102%" of the repurchase agreement.

Condition: At August 31, 2009, the Hospital had uninsured repurchase agreements of $2,320,780 at Wells Fargo Bank, which was 100% collateralized by obligations of the United States. State law requires that 102% be collateralized; therefore, the Hospital was under-collateralized by $46,416 as of August 31, 2009.

Cause: The Hospital's bank was not aware of this requirement and therefore did not maintain adequate collateral over the Hospital's repurchase agreements.

Effect: The repurchase agreements were not collateralized appropriately, and the Hospital was not in compliance with the state statute.

Recommendation: Ensure that financial institutions are aware of this requirement and obtain collateral for repurchase agreements at the required threshold.

Management Response: Management has made arrangements with Wells Fargo to ensure collateralization at the rate of 102%, effective January 22, 2010.

Rehoboth McKinley Christian
Health Care Services, Inc.
Current Status Schedule of 2008 Audit Findings
For the Year Ended August 31, 2009

Prior-Year Number	Description	Current Status
SA 08-1	Cash Collateralization	Unresolved. Repeated as SA 09-1
SA 08-2	Mileage Reimbursement	Resolved

Rehoboth McKinley Christian
Health Care Services, Inc.
Other Disclosures
For the Year Ended August 31, 2009

Exit Conference

A closed meeting exit conference was held on January 12, 2010, with the following attending:

Rehoboth McKinley Christian Health Care Services, Inc.:

Board Members
Dr. Alan Beamsley, D.O.
Tony Gonzales, CPA
Eric D. Begay
Priscilla Smith
Michelle Stam-Maclaren
Jennifer Dowling
Barry Butler

Staff
Karen Lautermilch, CEO
Mark Hall, CFO
Claudia Klesert, Controller
Teresa Lopez, Administrative Assistant

REDWLLC:

Chris Tyhurst, Principal
Joshua Trujillo, Manager

Financial Statement Preparation

The Hospital's independent public accountants prepared the accompanying financial statements; however, the Hospital is responsible for the financial statement and footnote content.