

**CALIFORNIA HEALTH COLLABORATIVE**  
Fresno, California

**REPORT ON AUDITED  
FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

June 30, 2011

with

**INDEPENDENT AUDITOR'S REPORT**

**CALIFORNIA HEALTH COLLABORATIVE**  
Fresno, California

June 30, 2011

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(1970-2009)

## INDEPENDENT AUDITOR'S REPORT

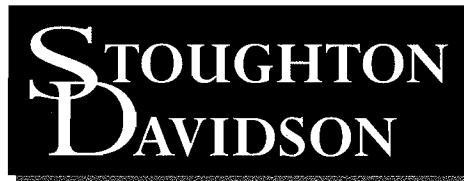
Board of Directors  
California Health Collaborative  
Fresno, California

We have audited the accompanying statement of financial position of California Health Collaborative (the "Agency") (a nonprofit corporation) as of June 30, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.


We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of California Health Collaborative as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2011, on our consideration of California Health Collaborative'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



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part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information 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 basic 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 as a whole.

*Stoughton Davidson Accountancy Corporation*  
Stoughton Davidson Accountancy Corporation

December 27, 2011

# CALIFORNIA HEALTH COLLABORATIVE

Fresno, California

## STATEMENT OF FINANCIAL POSITION

June 30, 2011

### ASSETS

Cash and Cash Equivalents (Notes 2, 3, and 5)	\$	124,645
Investments (Notes 2 and 4)		1,263,523
Grants Receivable (Note 2)		1,563,698
Accounts Receivable (Note 2)		160,128
Prepaid Expenses		79,036
Property and Equipment, Net of Accumulated Depreciation (Notes 2 and 6)		-
Total Assets	\$	<u>3,191,030</u>

### LIABILITIES AND NET ASSETS

Accounts Payable	\$	154,343
Accrued Payroll and Related Expenses		278,060
Deferred Revenue (Note 7)		221,493
Total Liabilities		<u>653,896</u>
Net Assets:		
Unrestricted		<u>2,537,134</u>
Total Net Assets		<u>2,537,134</u>
Total Liabilities and Net Assets	\$	<u>3,191,030</u>

See Independent Auditor's Report and Notes to the Financial Statements.

Stoughton Davidson Accountancy Corporation

# CALIFORNIA HEALTH COLLABORATIVE

Fresno, California

## STATEMENT OF ACTIVITIES For the Year Ended June 30, 2011

### Change in Unrestricted Net Assets:

#### Revenues and Support:

Grant Revenue	\$ 4,339,166
Charges for Services	942,368
Investment Income	165,355
In-Kind Revenue	127,527
Other Income	9,423
	<hr/>
Total Revenues and Support	5,583,839

#### Expenses:

##### Program Services:

Breast Cancer Care Coordination and Navigation	-
Other Cancer Programs	2,252,471
Tobacco Programs	219,550
Maternal Child Programs	224,669
Teen Pregnancy Programs	757,118
Nutrition Programs	969,694
Other Programs	284,589
	<hr/>

Total Program Services 4,708,091

##### Support Services:

Management and General Expenses 810,068

Total Expenses 5,518,159

Change in Unrestricted Net Assets 65,680

Net Assets, Beginning of Year 2,471,454

Net Assets, End of Year \$ 2,537,134

See Independent Auditor's Report and Notes to the Financial Statements.

Stoughton Davidson Accountancy Corporation

# CALIFORNIA HEALTH COLLABORATIVE

Fresno, California

## STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2011

	Program Services				
	Breast Cancer Care Coordination and Navigation	Other Cancer Programs	Tobacco Programs	Maternal Child Programs	Teen Pregnancy Programs
<b>Expenses:</b>					
Salaries and Benefits	\$ -	\$ 1,583,542	\$ 141,719	\$ 158,220	\$ 428,756
Facilities Expense	-	98,552	6,319	13,033	36,300
Office Expense	-	121,643	9,746	18,814	28,941
Travel and Training	-	75,301	4,770	9,526	24,814
Purchased Services	-	77,905	27,217	11,141	59,308
Indirect Expense	-	294,972	29,779	13,146	47,686
Other Expense	-	556	-	789	3,786
In-kind Expense	-	-	-	-	127,527
	<u>\$ -</u>	<u>\$ 2,252,471</u>	<u>\$ 219,550</u>	<u>\$ 224,669</u>	<u>\$ 757,118</u>

			<u>Support Services</u>	
<u>Nutrition Programs</u>	<u>Other Programs</u>	<u>Total Program Services</u>	<u>Management and General Expenses</u>	<u>Total</u>
\$ 486,669	\$ 136,065	\$ 2,934,971	\$ 522,571	\$ 3,457,542
46,741	12,731	213,676	96,012	309,688
35,458	38,550	253,152	51,923	305,075
25,269	5,071	144,751	20,054	164,805
290,971	77,542	544,084	99,193	643,277
82,550	10,252	478,385	-	478,385
2,036	4,378	11,545	20,315	31,860
-	-	127,527	-	127,527
<u>\$ 969,694</u>	<u>\$ 284,589</u>	<u>\$ 4,708,091</u>	<u>\$ 810,068</u>	<u>\$ 5,518,159</u>

See Independent Auditor's Report and Notes to the Financial Statements.

Stoughton Davidson Accountancy Corporation



# CALIFORNIA HEALTH COLLABORATIVE

Fresno, California

## STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2011

### Cash Flows from Operating Activities:

Change in Net Assets	\$	65,680
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation		1,749
Unrealized (Gain)/Loss on Investments		(184,679)
(Increase) Decrease in Assets:		
Grants Receivable		(175,924)
Accounts Receivable		(101,725)
Prepaid Expenses		17,357
Increase (Decrease) in Liabilities:		
Accounts Payable		13,493
Accrued Expenses		(45,786)
Deferred Revenue		(141,578)
<b>Net Cash Used by Operating Activities</b>		<u>(551,413)</u>
<b>Cash Flow from Investing Activities:</b>		
Proceeds from Investments		<u>18,959</u>
<b>Net Cash Provided by Investing Activities</b>		<u>18,959</u>
<b>Net Decrease in Cash and Cash Equivalents</b>		(532,454)
<b>Cash and Cash Equivalents, Beginning</b>		657,099
<b>Cash and Cash Equivalents, Ending</b>	\$	<u><u>124,645</u></u>

### Non-Cash Investing and Financing Activities

Property and equipment acquired with government funds that have been recorded as expenses	\$	<u><u>22,337</u></u>
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See Independent Auditor's Report and Notes to the Financial Statements.

Stoughton Davidson Accountancy Corporation

# **CALIFORNIA HEALTH COLLABORATIVE**

Fresno, California

## **NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2011

### **Note 1 – Nature of Activities**

California Health Collaborative (the "Agency") is a nonprofit corporation incorporated in the State of California. The Agency primarily conducts activities funded by governmental contracts and private foundation grants, which are intended to promote the development and accessibility of needed health services, and improve the planning and coordination of services among providers and consumers of health services.

### **Note 2 – Summary of Significant Accounting Policies**

#### **Basis of Accounting**

The financial statements of the Agency have been prepared on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America.

#### **Basis of Presentation**

Under current accounting standards, the Agency 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. At June 30, 2011, the Agency did not have any temporarily or permanently restricted net assets.

#### **Contributions and Grants**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor restrictions.

Grants that are determined to be exchange transactions are classified as deferred revenue until expended for the purposes of the grants.

#### **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 reporting period. Actual results could differ from those estimates.

(Continued)

# CALIFORNIA HEALTH COLLABORATIVE

Fresno, California

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

### Note 2 – Summary of Significant Accounting Policies (Continued)

#### Property and Equipment

Contributed property and equipment are recorded at fair value on the date of donation. Contributions of property and equipment are recorded as unrestricted support, unless the donor stipulates how long the assets must be used. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Property and equipment purchased with government funds are recorded as expenses in the year of acquisition in accordance with grant requirements. The cost of property and equipment are recorded as an asset with a corresponding offset in accumulated depreciation. Property and equipment purchased with government funds are not depreciated. Property and equipment purchased with Agency funds are capitalized at cost and depreciated using the straight-line method over the estimated useful lives of the assets as follows:

	<u>Years</u>
Furniture and equipment	1 - 4
Computer hardware	1 - 3

In the event of contract termination, certain funding sources require title of property and equipment previously purchased with grant funds to revert to the funding source. Certain funding sources also limit the use of property and equipment from the funding source.

#### In-Kind Contributions

Certain grant programs require the Agency to report in-kind contributions as required by their contracts. In-kind contributions consist primarily of donated materials, facilities and services. Materials and facilities are recorded based upon current fair market value. Contributed services are recognized as revenue if the services create or enhance non-financial assets or require specialized skills. In-kind contributions totaling \$127,527 have been included in revenue and program expenses.

In addition, several individuals volunteer their time and perform a variety of tasks in conjunction with the Agency's programs. No amounts have been reflected in the financial statements for these donated services since the volunteers' time does not meet the criteria for recognition under current accounting standards.

#### Income Tax Status

The Agency is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the State of California Revenue and Tax Code.

(Continued)

# **CALIFORNIA HEALTH COLLABORATIVE**

Fresno, California

## **NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2011

### **Note 2 – Summary of Significant Accounting Policies (Continued)**

#### **Cash and Cash Equivalents**

For the purpose of the statement of cash flows, the Agency considers deposits in banks, money market accounts and other investments purchased with a maturity of three months or less to be cash equivalents.

#### **Grants and Accounts Receivable**

Grants and accounts receivable are primarily contracts from funding sources for services performed under cost reimbursement or exchange contracts. These receivables are considered fully collectible, and therefore, no allowance for doubtful accounts has been recorded in the accompanying financial statements.

#### **Investments**

The Agency carries investments in marketable securities with readily determinable fair values and investments in debt securities at the fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Investment income from the Breast Cancer Care Coordination and Navigation program funds are recorded as deferred revenue until the funds are expended.

#### **Accrued Compensated Absences**

Employees are entitled to paid vacation, paid sick days, and personal days off, depending on length of service and other factors. The Agency records a liability for amounts due for accrued vacation at pay rates currently in effect for the employee. The liability is recorded in accrued payroll and related expenses.

#### **Expense Allocations**

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Expenses are charged to programs and supporting services on the basis of program costs. General and administrative costs include those expenses that are not directly identifiable with any specific function but provide for the overall support and direction of the Agency.

#### **Asset Restrictions**

The Agency classifies net assets and changes in net assets as (a) permanently restricted, (b) temporarily restricted, and/or (c) unrestricted, based on donor imposed restrictions and/or relevant law. All of the Agency's net assets and changes in net assets are classified as unrestricted as of and for the year ended June 30, 2011.

**CALIFORNIA HEALTH COLLABORATIVE**  
Fresno, California

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

**Note 3 – Cash and Cash Equivalents**

Cash and cash equivalents consists of the following at June 30, 2011:

Business checking and petty cash	\$ 86,818
Money market funds	<u>37,827</u>
	<u>\$ 124,645</u>

**Note 4 – Investments**

Current accounting standards prioritize the inputs used in measuring fair value into the following hierarchy:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable;

Level 3 - Unobservable inputs which are supported by little or no market activity.

Investments held at June 30, 2011 are presented at their fair value and are classified as Level 1 because these securities are valued using quoted market prices and other relevant information generated by market transactions. Investments measured at fair value on a recurring basis consist of the following at June 30, 2011:

**Investments at Fair Value as Determined by Quoted Market Prices (Level 1):**

	<u>Fair Value at June 30, 2011</u>
Corporate fixed income	\$ 186,705
Government securities	274,908
Stocks	<u>801,910</u>
	<u>\$ 1,263,523</u>

Unrealized and realized gains and losses from investments purchased, sold and held during the year are recorded in investment income along with interest and dividends in the statement of activities. Investment income (loss) for the year ended June 30, 2011 was \$165,355.

# CALIFORNIA HEALTH COLLABORATIVE

Fresno, California

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

### Note 5 – Concentration of Credit Risk

Financial instruments that potentially subject the Agency to concentrations of credit risk consist principally of cash balances in excess of the United States Federal Deposit Insurance Corporation (FDIC) insured \$250,000 limit. The amount in excess of federally insured limits at June 30, 2011 is approximately \$203,965.

The Agency has not experienced any losses in such accounts and management believes the Agency is not exposed to any significant credit risk related to cash.

### Note 6 – Property and Equipment, Net of Accumulated Depreciation

Property and equipment at June 30, 2011 consists of the following:

Furniture and equipment	\$ 128,571
Computer hardware	<u>535,092</u>
	663,663
Less: accumulated depreciation	<u>(663,663)</u>
	<u>\$ -</u>

As mentioned in Note 2, property and equipment purchased with government funds are expensed. Depreciation expense on property and equipment purchased with Agency funds for the year ended June 30, 2011 was \$1,749.

### Note 7 – Deferred Revenue

Deferred revenue consists of funds received from grants in advance of grant expenditures. Deferred revenue as of June 30, 2011, consists of the following:

Project IMPACT – Diabetes	\$ 15,000
Allied Health	42,000
Rumsey Indian Rancheria	23,701
Other programs	<u>140,792</u>
	<u>\$ 221,493</u>

# CALIFORNIA HEALTH COLLABORATIVE

Fresno, California

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

### Note 8 – Line of Credit

The Agency has an unsecured operating line of credit of \$500,000 with a financial institution. The line bears interest at floating interest rate of 2% above the prime rate and is subject to an interest rate floor of 5%. The Agency did not draw on the line of credit during the year ended June 30, 2011.

### Note 9 – Retirement Plan

The Agency has a defined contribution plan covering all employees who have completed the minimum eligibility service requirements. Vesting occurs at 20% for the first year of eligibility and at 20% increments each year thereafter. The Agency contributes 5% of the participant's compensation and an additional matching contribution up to 3% of a participant's compensation. Each participant may elect to have compensation reduced up to 15%. The Agency's contribution for the year ending June 30, 2011 was \$194,248 and is included in Salaries and Benefits in the statement of functional expenses.

### Note 10 – Lease Commitments

The Agency leases office facilities and equipment under various noncancelable operating leases expiring in various years through 2015.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of June 30, 2011, are as follows:

Year Ended June 30,	
2012	\$ 299,832
2013	29,032
2014	18,633
2015	<u>19,194</u>
	<u>\$ 366,691</u>

Total rent expense for all leases for the year ended June 30, 2011 was \$309,688.

# CALIFORNIA HEALTH COLLABORATIVE

Fresno, California

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

### Note 11 – Contingent Liabilities

Amounts received from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the Agency. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Agency expects such amounts, if any, to be immaterial.

### Note 12 – Grant Revenue

As described in Note 1, the Agency primarily conducts activities funded by governmental contracts and private foundation grants. The Agency also receives revenue for other services performed, such as abstracting. As of June 30, 2011, the Agency's grant revenues, including in-kind revenue, were broken out between federal and non-federal sourcing as follows:

Federal revenue	\$ 2,208,099
Non-federal revenue	<u>2,258,594</u>
	<u>\$ 4,466,693</u>

### Note 13 – Subsequent Events

The Agency's management has reviewed the results of operations for the period of time from its year ended June 30, 2011 through the date of the independent auditor's report, which is the date that the financial statements were available to be issued. The Agency's management has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements, nor have any subsequent events occurred, the nature of which would require disclosure.



## ***Single Audit***

TOM K. McFERSON  
J. SCOTT BRISTOL  
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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**

Board of Directors  
California Health Collaborative  
Fresno, California

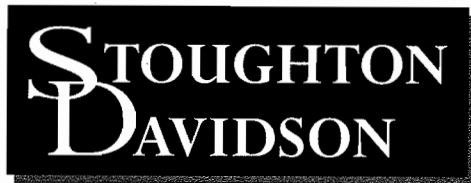
We have audited the financial statements of California Health Collaborative (a nonprofit corporation) as of and for the year ended June 30, 2011, and have issued our report thereon dated December 27, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 California Health Collaborative'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 California Health Collaborative's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of California Health Collaborative's internal control 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 and correct 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 of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in



ACCOUNTANCY CORPORATION

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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 California Health Collaborative'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 instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as item 2011-1, 2011-2, and 2011-3.

We noted certain matters that we reported to management of California Health Collaborative in a separate letter dated December 27, 2011.

California Health Collaborative's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit California Health Collaborative's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the audit committee, others within the entity, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Stoughton Davidson Accountancy Corporation*  
Stoughton Davidson Accountancy Corporation


December 27, 2011

TOM K. McFERNON  
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT  
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

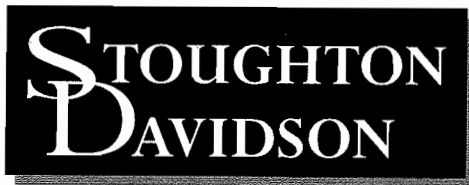
Board of Directors  
California Health Collaborative  
Fresno, California

**Compliance**

We have audited California Health Collaborative's compliance with the types of compliance requirements described in the United States Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of California Health Collaborative's major federal programs for the year ended June 30, 2011. California Health Collaborative's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of California Health Collaborative's management. Our responsibility is to express an opinion on California Health Collaborative's compliance based on our audit.


We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about California Health Collaborative's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of California Health Collaborative's compliance with those requirements.

In our opinion, California Health Collaborative complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect



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 SERVING THE SAN JOAQUIN VALLEY OVER 85 YEARS

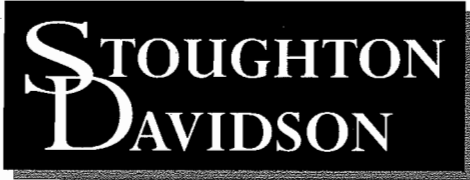
on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2011-1, 2011-2, and 2011-3.

### **Internal Control over Compliance**

Management of California Health Collaborative 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 California Health Collaborative's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 California Health Collaborative's internal control over compliance.


A deficiency in internal control over compliance exists when the design or operation of a 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 requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.



ACCOUNTANCY CORPORATION

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 SERVING THE SAN JOAQUIN VALLEY OVER 85 YEARS

California Health Collaborative's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit California Health Collaborative's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of management, the audit committee, others within the entity, Board of Directors, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Stoughton Davidson Accountancy Corporation*  
Stoughton Davidson Accountancy Corporation

December 27, 2011

**CALIFORNIA HEALTH COLLABORATIVE**  
Fresno, California

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

1. The independent auditor’s report expresses an unqualified opinion on the financial statements of California Health Collaborative.
2. No significant deficiencies were noted during the audit of the financial statements that are required to be reported in the 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*.
3. No instances of noncompliance material to the financial statements of California Health Collaborative, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. Internal Control over Financial Reporting: Material Weaknesses identified? No. Significant deficiencies identified that are not considered to be material weaknesses? None reported.
5. The independent auditor’s report on compliance for the major federal award programs for California Health Collaborative expresses an unqualified opinion on all major federal programs.
6. Audit findings relative to the major federal award programs for California Health Collaborative are reported in Section III of this Schedule.
7. The programs tested as major programs included:
  - U.S. Department of Agriculture, Food Stamp Program, CFDA No. 10.551
  - U.S. Department of Health and Human Services, Surveillance, Epidemiology, and End Results Program, CFDA No. 93.N01-PC-54404
8. The dollar threshold for distinguishing Type A and B programs was \$300,000.
9. California Health Collaborative was determined to be a low-risk auditee.

(Continued)

**CALIFORNIA HEALTH COLLABORATIVE**  
Fresno, California

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2011 (Continued)**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

There were no reportable findings.

(Continued)



**CALIFORNIA HEALTH COLLABORATIVE**  
Fresno, California

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2011 (Continued)**

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**U. S. DEPARTMENT OF AGRICULTURE, Agreement Number: 04-35891, CFDA No. 10.551**

**Finding 2011-01 – Cash Management**

**Requirement:** Reimbursement requests are due to the granting agency within 30 days of when the related expense was incurred.

**Condition:** Five of the Agency's reimbursement requests were not submitted to the granting agency within 30 days of when the related expenses were incurred.

**Effect of Condition:** The granting agency may choose not to honor any reimbursement requests that are submitted after the required due date.

**Cause of Condition:** The Agency did not have the appropriate controls in place to ensure that the reimbursement requests were filed timely.

**Auditor's Recommendation:** Implement a reminder system to ensure that all reimbursement requests are submitted within the required due date.

**Corrective Action Plan:** Month-end closing procedures will be time lined and calendared as part of the reimbursement request process.

(Continued)

# CALIFORNIA HEALTH COLLABORATIVE

Fresno, California

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011 (Continued)

### SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

**U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES, Agreement Number: 1016255, CFDA No. 93.N01-PC-54404**

#### **Finding 2011-02 – Allowability of Activities/Costs**

Requirement: Hours charged to the program by employees should be supported by approved timesheets.

Condition: Certain employees work on multiple programs and the underlying timesheets do not document the allocation of the hours to the applicable programs.

Effect of Condition: The granting agency may choose not to honor any reimbursement requests for hours charged by employees if they are not directly supportable by the approved timesheets.

Cause of Condition: The Agency did not have the appropriate controls in place to ensure that timesheets accurately document the allocation of hours to each applicable program.

Auditor's Recommendation: Implement a system where employees are required to document on their timesheets the amount of hours charged to each applicable program.

Corrective Action Plan: Employees will complete semi-monthly timesheets to include total hours or percentages to be allocated to each program they are assigned to.

(Continued)

**CALIFORNIA HEALTH COLLABORATIVE**  
Fresno, California

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
FOR THE YEAR ENDED JUNE 30, 2011 (Continued)

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES, Agreement Number: 1016255, CFDA No. 93.N01-PC-54404**

**Finding 2011-03 – Special Tests**

**Requirement:** The Agency must certify that all key personnel who are involved in the design and conduct of research involving human subjects have completed the NIH computer-based training in the protection of human research participants or a comparable program.

**Condition:** There is no documentation that any of the employees working on this program have completed such training.

**Effect of Condition:** The granting agency may choose not to honor any reimbursement requests for hours charged by employees who have not completed such training.

**Cause of Condition:** The Agency did not have the appropriate controls in place to ensure that all employees working on this program have completed such training.

**Auditor's Recommendation:** All employees who work on this program should complete the required computer-based training, and the Agency should ensure that such documentation is retained in the employee's personnel file.

**Corrective Action Plan:** Employees required to complete NIH computer-based training will be monitored and completion of this training will be kept in their personnel file.

**CALIFORNIA HEALTH COLLABORATIVE**  
Fresno, California

**STATUS OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2011**

No prior year findings were reported.

**CALIFORNIA HEALTH COLLABORATIVE**  
Fresno, California

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2011**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Grantor's Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Health and Human Services</b>			
Passed-through the California Department of Health Services:			
Cancer Prevention and Control	93.283	03187-04-02	\$ 4,079
Surveillance, Epidemiology, and End Results	93.N01-PC- 54404	1016255	312,831*
Family Planning Services	93.217	05-45238	702,604
Maternal and Child Health Services Block Grant	93.994	05-45356	<u>218,891</u>
<b>Total U.S. Department of Health and Human Services</b>			<b>1,238,405</b>
 <b>U.S. Department of Agriculture</b>			
Passed-through the California Department of Health Services:			
Food Stamp Program	10.551	04-35891	<u>969,694*</u>
<b>Total U.S. Department of Agriculture</b>			<b>969,694</b>
 <b>Total Expenditures of Federal Awards</b>			 <b><u>\$2,208,099</u></b>

\* Denotes major program tested.

# **CALIFORNIA HEALTH COLLABORATIVE**

Fresno, California

## **NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended June 30, 2011

### **Note 1 – Summary of Significant Accounting Policies**

#### **Basis of Accounting**

The Agency utilizes the accrual basis of accounting for these funds and the accompanying schedule of expenditures of federal awards has been prepared accordingly.

#### **Schedule of Expenditures of Federal Awards**

The schedule of expenditures of federal awards presented is prepared from only the accounts of the grant programs and therefore does not present the financial position or results of operations of California Health Collaborative.