

HEALTH IMPROVEMENT PARTNERSHIP
OF SANTA CRUZ COUNTY
(A Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENTS

June 30, 2010

With Summarized Comparative Totals for June 30, 2009

HEALTH IMPROVEMENT PARTNERSHIP
OF SANTA CRUZ COUNTY

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PATRICIA A. BECKWITH

CERTIFIED PUBLIC ACCOUNTANT



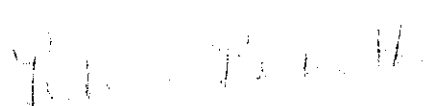
INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Health Improvement Partnership
of Santa Cruz County

I have audited the accompanying statements of financial position of Health Improvement Partnership of Santa Cruz County (a Nonprofit Public Benefit Corporation) as of June 30, 2010 and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit. The prior year summarized comparative information has been derived from the Organization's 2009 financial statements and, in my report dated September 8, 2009 I expressed an unqualified opinion on those financial statements.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Health Improvement Partnership of Santa Cruz County as of June 30, 2010 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.


Aptos, CA
August 26, 2010

HEALTH IMPROVEMENT PARTNERSHIP OF SANTA CRUZ COUNTY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2010

With summarized comparative totals for the year ended June 30, 2009

| ASSETS | <u>2010</u> | <u>2009</u> |
|----------------------------------|-------------------|-------------------|
| Cash and cash equivalents | \$ 231,395 | \$ 434,594 |
| Grants receivable | 26,430 | 161,069 |
| Accounts receivable | <u>25,073</u> | <u>-</u> |
| TOTAL ASSETS | <u>282,898</u> | <u>\$ 595,663</u> |
| | | |
| LIABILITIES | | |
| Accounts payable | <u>\$ 47,045</u> | <u>\$ 116,937</u> |
| | | |
| NET ASSETS | | |
| Unrestricted | 140,639 | 146,408 |
| Temporarily restricted | <u>95,214</u> | <u>332,318</u> |
| TOTAL NET ASSETS | <u>235,853</u> | <u>478,726</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 282,898</u> | <u>\$ 595,663</u> |

The notes are an integral part of these financial statements.

HEALTH IMPROVEMENT PARTNERSHIP OF SANTA CRUZ COUNTY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

With summarized comparative totals for the year ended June 30, 2009

| | Unrestricted | Temporarily Restricted | Total | 2009 |
|---|--------------|---------------------------|------------|------------|
| REVENUE AND SUPPORT | | | | |
| Government grants and contracts | \$ 157,398 | \$ - | \$ 157,398 | \$ 162,000 |
| Foundation grants & donations | 137,548 | 71,160 | 208,708 | 423,686 |
| Premiums and designation for Healthy Kids | 103,790 | - | 103,790 | 110,348 |
| In-kind contributions | - | - | - | 6,038 |
| Interest | 864 | - | 864 | 2,017 |
| Restrictions satisfied by payments | 308,264 | (308,264) | - | - |
| Total Revenue and Support | 707,864 | (237,104) | 470,760 | \$ 704,089 |
| EXPENSES | | | | |
| Program Services | | | | |
| Awareness Programs | 584,044 | - | 584,044 | 628,381 |
| Supporting Services | | | | |
| Management and General | 97,191 | - | 97,191 | 94,290 |
| Fundraising | 32,398 | - | 32,398 | 15,246 |
| Total Expenses | 713,633 | - | 713,633 | 737,917 |
| CHANGE IN NET ASSETS | (5,769) | (237,104) | (242,873) | (33,828) |
| NET ASSETS, beginning of year | 146,408 | 332,318 | 478,726 | 512,554 |
| NET ASSETS, end of year | \$ 140,639 | \$ 95,214 | \$ 235,853 | \$ 478,726 |

The notes are an integral part of these financial statements.

HEALTH IMPROVEMENT PARTNERSHIP OF SANTA CRUZ COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2010

With summarized comparative totals for the year ended June 30, 2009

| | Program Services Awareness Programs | Supporting Services | | Totals | 2009 |
|---|--|---------------------------|-------------|------------|------------|
| | | Management and General | Fundraising | | |
| Compensation | \$ 189,584 | \$ 63,658 | \$ 21,219 | \$ 274,461 | \$ 256,525 |
| Executive contract services/salaries | 36,630 | 4,822 | 1,607 | 43,059 | 37,228 |
| Employee benefits | 18,378 | 5,388 | 1,796 | 25,562 | 22,905 |
| Payroll taxes | 244,592 | 73,868 | 24,622 | 343,082 | 316,658 |
| Administrative/Occupancy | 49,573 | 20,547 | 6,849 | 76,969 | 76,623 |
| Advertising | 2,317 | - | - | 2,317 | 3,279 |
| Community events | 9,591 | - | - | 9,591 | 7,007 |
| Healthy Kids premiums paid | 103,790 | - | - | 103,790 | 111,187 |
| Insurance | 600 | 1,350 | 450 | 2,400 | 2,400 |
| Meeting costs | 4,774 | 805 | 269 | 5,848 | 10,182 |
| Outside consultants | 136,266 | - | - | 136,266 | 159,556 |
| Printing & supplies | 15,356 | 419 | 140 | 15,915 | 22,020 |
| Travel | 17,185 | 202 | 68 | 17,455 | 29,005 |
| Total expenses, year ended June 30, 2010 | \$ 584,044 | \$ 97,191 | \$ 32,398 | \$ 713,633 | \$ 737,917 |
| | 81.84% | 13.62% | 4.54% | 100.00% | |

The notes are an integral part of these financial statements.

HEALTH IMPROVEMENT PARTNERSHIP OF SANTA CRUZ COUNTY
STATEMENT OF CASH FLOWS
Year Ended June 30, 2010

With summarized comparative totals for the year ended June 30, 2009

| | 2010 | 2009 |
|---|--------------|-------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Decrease in net assets | \$ (242,873) | \$ (33,828) |
| Adjustments to reconcile increase in net assets to to net cash used in operating activities: | | |
| Decrease in grants receivable | 134,639 | 108,496 |
| (Increase) decrease in accounts receivable | (25,073) | 75,575 |
| Increase (decrease) in accounts payable | (69,892) | 44,993 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | (203,199) | 195,236 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | (203,199) | 195,236 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 434,594 | 239,358 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | \$ 231,395 | \$ 434,594 |

The notes are an integral part of these financial statements.

HEALTH IMPROVEMENT PARTNERSHIP OF SANTA CRUZ COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Activities

The Health Improvement Partnership of Santa Cruz County (HIP) is a nonprofit coalition of public and private health care leaders dedicated to increasing access to health care and building stronger local health care systems. HIP's mission is to identify and work collaboratively to address and resolve important health care issues in Santa Cruz County, and to promote and improve health care for the uninsured, underinsured and publicly insured in Santa Cruz County.

HIP administers the Healthy Kids of Santa Cruz County program which provides health coverage to 2,000 local children who are ineligible for Medi-Cal or Healthy Families. Grants and funding to support this program are provided to HIP and premiums are directly paid out of these funds to support the Healthy Kids program.

Basis of Accounting

The financial statements of HIP have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents

For the purpose of the Statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Concentration of Grants

HIP receives approximately 78% of its annual budget from government and foundation grants. Grants revenue received could be adversely affected by a turndown in the economy which can affect the Organization's ability to meet its annual operating expenses.

Income Tax Status

The Organization is exempt from federal income tax under Section 501 (c)(3) of the Internal Revenue Code. However, income from certain activities not related directly to the Organization's tax-exempt status purpose is subject to taxation as unrelated business income.

HEALTH IMPROVEMENT PARTNERSHIP OF SANTA CRUZ COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Restricted and Unrestricted Revenue

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily restricted or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restriction.

NOTE 2. GRANTS RECEIVABLE

As of June 30, 2010, grants receivable were comprised of the following:

| | |
|------------------------------|------------------|
| County of Santa Cruz | \$ 24,200 |
| First 5 of Santa Cruz County | <u>2,230</u> |
| | <u>\$ 26,430</u> |

NOTE 3. ACCOUNTS RECEIVABLE

As of June 30, 2010, accounts receivable was comprised of the following:

| | |
|--|------------------|
| HHS-Centers for Medicare & Medicaid Services | <u>\$ 25,073</u> |
|--|------------------|

HEALTH IMPROVEMENT PARTNERSHIP OF SANTA CRUZ COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 4. TEMPORARILY RESTRICTED NET ASSETS

Health Improvement Partnership received temporarily restricted net assets for the following:

- California Endowment for healthcare policy and systems change activity.
- Catholic Healthcare West to pay for a strategic planning consultant
- Packard Foundation Grants to provide for the management of the Healthy Kids program
- First 5 for the management of the Healthy Kids program.

For the year ended June 30, 2010, activity in the temporarily restricted net assets was as follows:

| | Balance <u>6/30/09</u> | <u>Additions</u> | <u>Satisfied</u> | Balance <u>6/30/10</u> |
|--------------------------|---------------------------|------------------|-------------------|---------------------------|
| Packard Fdn. Grant | \$ 188,698 | \$ 4,390 | \$ 110,644 | \$ 82,444 |
| Packard OE Grant | -- | 15,000 | -- | 15,000 |
| California Endowment | 126,620 | -- | 126,620 | -- |
| First 5 | -- | 51,770 | 54,000 | (2,230) |
| Catholic Healthcare West | <u>17,000</u> | <u>--</u> | <u>17,000</u> | <u>--</u> |
| | <u>\$ 332,318</u> | <u>\$ 71,160</u> | <u>\$ 308,264</u> | <u>\$ 95,214</u> |

NOTE 5. RELATED PARTY TRANSACTIONS

Health Improvement Partnership of Santa Cruz County has an annual contract with the United Way of Santa Cruz (United Way). United Way provides administration services to HIP for a fee of 15% of salaries, taxes and fringe benefits for all HIP personnel. United Way received reimbursements for the of out of pocket costs for HIP's salaries, taxes and fringe benefits and reports HIP's payroll activities are reflected on United Way's payroll tax reporting forms.

PATRICIA A. BECKWITH

CERTIFIED PUBLIC ACCOUNTANT



August 26, 2010

To the Board of Directors of
Health Improvement Partnership of
Santa Cruz County

I have audited the financial statements of Health Improvement Partnership of Santa Cruz County for the year ended June 30, 2010, and have issued my report thereon dated August 26, 2010. Professional standards require that I provide you with the following information related to my audit.

My Responsibility under U.S. Generally Accepted Auditing Standards

As stated in my engagement letter dated July 8, 2010, my responsibility, as described by professional standards, is to express an opinion on whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in accordance with U.S. generally accepted accounting principles. My audit of the financial statements does not relieve you or management of your responsibilities.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, I will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Health Improvement Partnership of Santa Cruz County are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2009. I noted no transactions entered into by the Organization during the year that were both significant and unusual, and of which, under professional standards, I am required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Organization's financial reporting process (that is, cause future financial statements to be materially misstated). I am pleased to report there were no adjustments made to the financial statements this year.

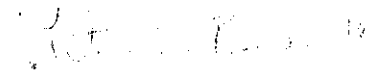
P. O. Box 202 Aptos, CA 95001 (831) 661-0665 trish@santacruzcpa.net

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to my satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of our audit.

This information is intended solely for the use of the Board of Directors and management of Health Improvement Partnership of Santa Cruz County and is not intended to be and should not be used by anyone other than these specified parties

Very truly yours,



Patricia A. Beckwith, CPA