

**THE FOUNDATION OF
SANTA BARBARA
REGIONAL HEALTH AUTHORITY
JUNE 30, 2010 AND 2009
FINANCIAL STATEMENTS**



BARTLETT, PRINGLE & WOLF, LLP
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

THE FOUNDATION OF SANTA BARBARA REGIONAL HEALTH AUTHORITY

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January 7, 2011

INDEPENDENT AUDITORS' REPORT

**To the Board of Directors of
The Foundation of Santa Barbara Regional Health Authority:**

We have audited the accompanying statement of financial position of the Foundation of Santa Barbara Regional Health Authority (the Foundation) as of June 30, 2010 and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Foundation's 2009 financial statements and, in our report dated January 21, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 the Foundation as of June 30, 2010 and the results of its activities, changes in net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Bartlett, Pringle + Wolf, LLP

THE FOUNDATION OF SANTA BARBARA REGIONAL HEALTH AUTHORITY
STATEMENT OF FINANCIAL POSITION
June 30, 2010

With Summarized Information as of June 30, 2009

	Unrestricted	Temporarily Restricted	2010	2009
<u>ASSETS</u>				
Current Assets:				
Cash	\$ 49,340	\$ 660,770	\$ 710,110	\$ 453,636
Grants receivable	-	188,327	188,327	267,632
Prepaid expenses	115,730	-	115,730	108,217
Total current assets	165,070	849,097	1,014,167	829,485
Equipment (note 3)	369	-	369	771
Total assets	<u>\$ 165,439</u>	<u>\$ 849,097</u>	<u>\$ 1,014,536</u>	<u>\$ 830,256</u>
<u>LIABILITIES AND NET ASSETS</u>				
Current Liabilities:				
Accounts payable and accrued expenses	\$ 44,186	\$ -	\$ 44,186	\$ 58,269
Deferred revenue	15,074	-	15,074	16,490
Total liabilities	59,260	-	59,260	74,759
Net Assets:				
Unrestricted	106,179	-	106,179	72,175
Temporarily restricted	-	849,097	849,097	683,322
Total net assets	106,179	849,097	955,276	755,497
Total liabilities and net assets	<u>\$ 165,439</u>	<u>\$ 849,097</u>	<u>\$ 1,014,536</u>	<u>\$ 830,256</u>

See accompanying notes

THE FOUNDATION OF SANTA BARBARA REGIONAL HEALTH AUTHORITY
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2010

With Summarized Information for the Year Ended June 30, 2009

	Unrestricted	Temporarily Restricted	2010	2009
Public Support and Revenue:				
Contributions and grants	\$ -	\$ 1,625,983	\$ 1,625,983	\$ 1,491,586
Premium revenue	56,914	-	56,914	55,660
Interest income	4,280	-	4,280	3,861
Other income	533	-	533	-
Total public support and revenue	<u>61,727</u>	<u>1,625,983</u>	<u>1,687,710</u>	<u>1,551,107</u>
Net assets released from restrictions	<u>1,460,208</u>	<u>(1,460,208)</u>	<u>-</u>	<u>-</u>
Expenses:				
Programs services	1,429,011	-	1,429,011	1,655,347
Management and general	58,920	-	58,920	12,487
Fundraising	-	-	-	-
Total expenses	<u>1,487,931</u>	<u>-</u>	<u>1,487,931</u>	<u>1,667,834</u>
Change in net assets	34,004	165,775	199,779	(116,727)
Net assets at beginning of year	<u>72,175</u>	<u>683,322</u>	<u>755,497</u>	<u>872,224</u>
Net assets at end of year	<u>\$ 106,179</u>	<u>\$ 849,097</u>	<u>\$ 955,276</u>	<u>\$ 755,497</u>

See accompanying notes

THE FOUNDATION OF SANTA BARBARA REGIONAL HEALTH AUTHORITY
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2010

With Summarized Information for the Year Ended June 30, 2009

	Program Services	Management & General	Fundraising	2010	2009
Salaries and related expenses	\$ 154,547	\$ -	\$ -	\$ 154,547	\$ 146,255
Audit fees	-	9,500	-	9,500	9,500
Professional fees	-	-	-	-	30,000
Contract administrative services	-	46,572	-	46,572	50,948
Outreach	-	-	-	-	817
Supplies	-	667	-	667	500
Printing	1,223	-	-	1,223	-
Dues and subscriptions	-	-	-	-	350
Insurance	-	1,500	-	1,500	1,500
Health insurance premiums	1,254,189	-	-	1,254,189	1,397,902
Travel expense	4,006	-	-	4,006	3,968
Other Expenses	15,046	278	-	15,324	25,691
Total expenses before depreciation	<u>1,429,011</u>	<u>58,517</u>	<u>-</u>	<u>1,487,528</u>	<u>1,667,431</u>
Depreciation expense	<u>-</u>	<u>403</u>	<u>-</u>	<u>403</u>	<u>403</u>
Total expenses	<u>\$ 1,429,011</u>	<u>\$ 58,920</u>	<u>\$ -</u>	<u>\$ 1,487,931</u>	<u>\$ 1,667,834</u>

See accompanying notes

THE FOUNDATION OF SANTA BARBARA REGIONAL HEALTH AUTHORITY
STATEMENT OF CASH FLOWS
For the Years Ended June 30, 2010 and 2009

	Total All Funds	
	2010	2009
Cash Flows from Operating Activities		
Change in net assets	\$ 199,779	\$ (116,727)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	403	403
Decrease (increase) in:		
Prepaid expenses	(7,513)	27,995
Receivables	79,305	127,062
Increase (decrease) in:		
Accounts payable and accrued expenses	(14,084)	(9,102)
Deferred revenue	(1,416)	3,055
Net cash flows provided by operating activities	<u>256,474</u>	<u>32,686</u>
Increase in cash	256,474	32,686
Cash at beginning of year	453,636	420,950
Cash at end of year	<u>\$ 710,110</u>	<u>\$ 453,636</u>

Supplemental disclosure of noncash investing and financing activities:

No interest or taxes were paid by the Foundation for the years ended June 30, 2010 and 2009.

See accompanying notes

THE FOUNDATION OF SANTA BARBARA REGIONAL HEALTH AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

Note 1- Nature of Operations

The Foundation of Santa Barbara Regional Health Authority (“the Foundation”), also known as Doorway to Health, was established as a not for profit corporation in 2002. The mission of the Foundation is to improve the access and quality of healthcare by developing programs that will provide affordable and comprehensive healthcare for the underserved, uninsured, and underinsured in Santa Barbara County.

Note 2- Summary of Significant Accounting Policies

A) Basis of Accounting

The Foundation has prepared the financial statements in accordance with the accrual method of accounting.

B) Cash Equivalents

The Foundation considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

C) Equipment

Purchases of equipment are capitalized at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, which is currently three years. Donated fixed assets, which are capitalized at the fair market value at the date of the gift, are also depreciated over the estimated useful lives of the assets. The Foundation’s policy is to capitalize equipment with a life greater than one year if the cost exceeds \$1,000.

D) Presentation

The Foundation follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) topic *Not-for-Profit Entities* for financial statement presentation. This topic establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories according to donor-imposed restrictions and requires that unconditional promises to give (pledges) be recorded as receivables and revenues and requires the organization to distinguish between contributions received for each net asset category in accordance with donor imposed restrictions. A description of the three net asset categories follows:

THE FOUNDATION OF SANTA BARBARA REGIONAL HEALTH AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

Note 2- Summary of Significant Accounting Policies (Continued)

Unrestricted Net Assets

The unrestricted group of net assets represents unrestricted resources available for current support of the Foundation.

Temporarily Restricted Net Assets

Temporarily restricted net assets include grants, which may be fully expended but have been restricted by grantors for programs and activities of the Foundation.

Permanently Restricted Net Assets

Permanently restricted net assets include donations, which require by donor restriction that the corpus be invested in perpetuity and only the income be made available for expenditure in accordance with donor restrictions for programs and activities. The Foundation does not hold any permanently restricted funds.

E) Premium Revenue

Premium revenue represents payments received from members. Members are required to pay the Foundation a portion of their premium in either monthly, quarterly or annual installments. Deferred revenue represents those payments received in advance of when they are due to CenCal Health. See Note 6 for related party transactions.

F) Donor Restrictions

The Foundation reports gifts of cash, grants and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

G) Functional Allocation of Expenses

The costs of providing the various programs and other supporting services have been summarized on a functional basis in the Statement of Functional Expenses. Expenses that can be specifically identified with a program or supporting service are charged directly to the related program or supported service. Expenses associated with more than one program or supporting service are allocated based on time spent in the various functions as estimated by the Foundation's management.

THE FOUNDATION OF SANTA BARBARA REGIONAL HEALTH AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

Note 2- Summary of Significant Accounting Policies (Continued)

H) Income Taxes

The Foundation is an exempt not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from both federal and state income taxes on related income pursuant to Section 501(a) of the Code.

On July 1, 2009, the Foundation adopted FASB ASC topic *Income Taxes*. This guidance requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Foundation's financial statements to determine whether the tax positions are more likely than not of being sustained by the applicable tax authority. Tax positions not deemed to meet the more likely than not threshold would be recorded as a tax benefit or expense in the current year. Management evaluated the Foundation's tax positions and concluded that the Foundation had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. The Foundation is no longer subject to income tax examinations by the U.S. Federal tax authority for years before 2006 and by the State of California tax authority for years before 2005.

I) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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.

Note 3- Equipment

Equipment, at cost, includes the following:

	<u>2010</u>	<u>2009</u>
Computer equipment	\$ 1,208	\$ 1,208
Less accumulated depreciation	<u>(839)</u>	<u>(437)</u>
Equipment, net	<u>\$ 369</u>	<u>\$ 771</u>

THE FOUNDATION OF SANTA BARBARA REGIONAL HEALTH AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

Note 4- Grants Receivable

Grants receivable relate to government grants and are expected to be collected in the year ended June 30, 2011. There is no allowance for uncollectible amounts since management feels all of the accounts are collectible.

Note 5- Net Assets Released from Donor Restrictions

Net assets of \$1,460,208 and \$1,589,793 were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors during the years ended June 30, 2010 and 2009, respectively.

Note 6- Related Party Transactions

CenCal Health provides certain services to the Foundation, which are directly attributable to the support program. The Foundation paid \$876,822 and \$989,664 in health insurance premiums to CenCal Health for the years ended June 30, 2010 and 2009, respectively. CenCal Health also provides certain management services to the Foundation including administration, finance and accounting. The total amounts paid to CenCal Health for these services were \$46,572 and \$55,615 for the years ended June 30, 2010 and 2009, respectively. There were no amounts payable to CenCal Health as of June 30, 2010 and 2009.

Santa Barbara County Education Office (SBCEO) provides certain services to the Foundation, which are directly attributable to the support program. The Foundation paid \$154,548 and \$146,255 to the Santa Barbara County Education Office for the years ended June 30, 2010 and 2009, respectively for salaries and benefits for the project manager, secretary, and health advocates. The Foundation's Santa Barbara County Board of Supervisors grant has designated amounts to be used towards these expenses.

Note 7 - Concentration of Credit Risk

At June 30, 2010, the Foundation had deposits of approximately \$494,000, including uncleared items, in excess of federal insurance limits.

THE FOUNDATION OF SANTA BARBARA REGIONAL HEALTH AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

Note 8 - Comparative Amounts

The amounts shown for 2009 in the accompanying financial statements are included to provide a basis for comparison with 2010. Amounts shown for 2009 do not present all information necessary for a presentation in conformity with accounting principles generally accepted in the United States of America.

Note 9 - Subsequent Events

Subsequent events have been evaluated through January 7, 2011, the date that the financial statements were available to be issued.