

CLINICA SIERRA VISTA

FINANCIAL REPORT

MARCH 31, 2012

CLINICA SIERRA VISTA

March 31, 2012

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INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
Clinica Sierra Vista
Bakersfield, California

We have audited the accompanying statement of financial position of Clinica Sierra Vista (a nonprofit organization) as of March 31, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization'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 Organization's 2011 financial statements and, on our report dated August 29, 2011, 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 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 the 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 Clinica Sierra Vista as of March 31, 2012, 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 a report dated August 16, 2012, on our consideration of Clinica Sierra Vista'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.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary financial information on pages 18 to 19 is presented for purposes of additional analysis and is not a required part of the financial statements of the organization. The accompanying 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial

statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

August 16, 2012

A handwritten signature in black ink, consisting of several fluid, connected strokes. The signature is positioned to the right of the date.

FINANCIAL STATEMENTS

CLINICA SIERRA VISTA

Statement of Financial Position

March 31, 2012, with Comparative Totals
For the Year Ended March 31, 2011

ASSETS

CURRENT ASSETS

	2012	2011
Cash and Cash Equivalents (Note B)	\$ 15,402,672	\$ 19,096,189
Short term investments (Note C)	2,484,925	25,248
Patient accounts receivable-net (Note D)	7,891,748	5,509,763
Grants and contracts receivable (Note E)	4,484,176	3,853,469
Other receivables	2,401,909	497,258
Prepaid expenses	260,380	313,179

TOTAL CURRENT ASSETS

32,925,810 29,295,106

PROPERTY AND EQUIPMENT - NET (Note F)

27,601,477 23,732,117

OTHER ASSETS

Deferred charges

157,260 116,199

TOTAL ASSETS

\$ 60,684,547 \$ 53,143,422

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 1,387,492	\$ 1,387,940
Accrued expenditures (Note G)	6,741,501	6,002,494
Loans payable (Note I)	1,862,392	1,862,392
Advances from grants	850,445	589,430
Estimated third-party payor settlements (Note H)	1,019,012	334,444
Current portion long-term debt (Note J)	614,163	570,731

TOTAL CURRENT LIABILITIES

12,475,005 10,747,431

LONG-TERM DEBT, less current portion (Note J)

1,526,955 2,136,046

TOTAL LIABILITIES

14,001,960 12,883,477

NET ASSETS

Unrestricted

46,682,587 40,259,945

TOTAL NET ASSETS

46,682,587 40,259,945

TOTAL LIABILITIES AND NET ASSETS

\$ 60,684,547 \$ 53,143,422

See accompanying notes to financial statements.

CLINICA SIERRA VISTA

Statement of Activities

For the Year Ended March 31, 2012, with
Comparative Totals For the Year Ended March 31, 2011

UNRESTRICTED NET ASSETS	<u>2012</u>	<u>2011</u>
OPERATING REVENUES, GAINS AND OTHER SUPPORT		
Patient Revenue	\$ 45,893,136	\$ 40,794,174
Grant Revenue	33,165,588	30,664,271
Other Income	<u>1,274,699</u>	<u>636,708</u>
TOTAL OPERATING REVENUES, GAINS AND OTHER SUPPORT	<u>80,333,423</u>	<u>72,095,153</u>
OPERATING EXPENSES		
Program Services		
Medical	43,885,715	40,333,435
Dental	6,078,624	4,980,914
Nutrition Education	6,075,370	5,639,211
Health Education	144,820	111,570
Outreach & Case Management Services	4,344,765	4,743,387
Behavioral Health Services	4,168,271	4,016,835
Supporting Services		
Management and General	<u>10,523,812</u>	<u>9,421,684</u>
TOTAL EXPENSES	<u>75,221,377</u>	<u>69,247,036</u>
CHANGE IN NET ASSETS FROM OPERATIONS	5,112,046	2,848,117
OTHER CHANGES		
Capital grants and contributions	<u>1,310,596</u>	<u>3,971,855</u>
TOTAL OTHER CHANGES	<u>1,310,596</u>	<u>3,971,855</u>
INCREASE IN NET ASSETS	6,422,642	6,819,972
NET ASSETS AT BEGINNING OF PERIOD	<u>40,259,945</u>	<u>33,439,973</u>
NET ASSETS AT END OF PERIOD	<u>\$ 46,682,587</u>	<u>\$ 40,259,945</u>

See accompanying notes to financial statements.

CLINICA SIERRA VISTA

Statement of Cash Flows

For the Year Ended March 31, 2012, with
Comparative Totals For the Year Ended March 31, 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 6,422,642	\$ 6,819,972
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	1,385,383	921,512
Loss on disposal of fixed assets	-	569
Grants for capital expenditures	(1,310,596)	(3,971,855)
Debt forgiveness	(5,556)	-
(Increase) Decrease in Operating Assets		
Patient accounts receivable	(2,381,985)	322,508
Grants receivable	(630,706)	(596,969)
Other receivables	(1,904,651)	(77,703)
Prepaid expenses and deposits	52,798	640
Increase (Decrease) in Operating Liabilities		
Accounts payable	(449)	117,562
Accrued expenditures	739,008	(516,511)
Advances from grants	261,015	263,949
Other liabilities	684,568	(182,858)
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,311,471	3,100,816
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(3,985,208)	(827,068)
Transfers to investments	(2,459,677)	-
Transfers from investments	-	13,624,606
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(6,444,885)	12,797,538
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	770,000	-
Payments of long-term debt	(1,330,103)	(537,804)
NET CASH USED BY FINANCING ACTIVITIES	(560,103)	(537,804)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,693,517)	15,360,550
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	19,096,189	3,735,639
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 15,402,672</u>	<u>\$ 19,096,189</u>

See accompanying notes to financial statements.

CLINICA SIERRA VISTA

Statement of Functional Expenses

For the Year Ended March 31, 2012, with
Comparative Totals For the Year Ended March 31, 2011

	<u>Medical Services</u>	<u>Dental Services</u>	<u>Nutrition Education Services</u>	<u>Health Education Services</u>	<u>Outreach & Case Mgmt Services</u>	<u>Behavioral Health Services</u>	<u>Supporting & General Services</u>	<u>Total 2012</u>	<u>Total 2011</u>
Salaries	\$ 25,678,744	\$ 3,227,838	\$ 3,661,257	\$ 95,657	\$ 2,588,587	\$ 2,646,652	\$ 5,367,675	\$ 43,266,410	\$ 40,274,447
Fringe Benefits	5,172,451	628,312	984,644	17,688	649,173	619,807	1,162,139	9,234,214	9,280,141
Total Salaries & Benefits	30,851,195	3,856,150	4,645,901	113,345	3,237,760	3,266,459	6,529,814	52,500,624	49,554,588
Consultants/Contractual	5,234,123	617,440	208,489	1,108	221,362	304,007	1,166,433	7,752,962	6,670,342
Equipment	360,229	236,605	65,748	6,085	16,172	34,164	46,678	765,681	743,418
Medical Supplies	1,711,390	354	1,037	-	1,589	2,127	49	1,716,546	1,512,746
Office Supplies	263,203	14,353	93,729	2,007	46,802	42,635	106,197	568,926	534,173
Laboratory Supplies	220,371	-	-	-	17,740	663	-	238,774	187,743
Dental Supplies	-	535,875	-	-	-	-	-	535,875	619,820
X-ray Supplies	61,420	6	-	-	-	-	-	61,426	59,551
Housekeeping Supplies	69,438	7,202	12,957	107	3,063	3,021	8,392	104,180	101,379
Other Supplies	107,923	3,165	8,883	1,456	402	2,526	2,991	127,346	58,679
Durable Supplies	15,400	533	89,807	-	1,653	17,588	2,178	127,159	115,604
Pharmacy Supplies	537,590	1,089	-	-	-	-	-	538,679	382,107
Rent/Lease	518,756	32,686	301,064	5,648	237,923	218,225	396,900	1,711,202	1,626,589
Utilities	474,963	82,855	102,479	952	44,704	27,388	115,460	848,801	805,868
Maintenance & Repairs	852,553	158,337	171,669	5,431	126,396	97,669	526,301	1,938,356	1,606,823
Property Tax	-	728	-	-	-	-	26,830	27,558	11,719
Interest	69,710	10,543	1,121	-	217	-	-	81,591	130,458
Hazardous Waste	140,449	11,478	13	-	-	230	-	152,170	107,580
Telephone	264,242	21,106	65,584	1,877	40,281	25,512	49,085	467,687	414,732
Postage	95,377	2,130	7,486	110	1,871	1,428	67,210	175,612	130,313
Publicity/Promotions	64,516	94,953	15,895	-	164	272	29,775	205,575	117,131
Pagers & Answering Service	51,897	2,688	-	-	-	576	1,669	56,830	49,821
Printing & Publications	576,534	7,368	12,619	228	12,566	8,489	98,950	716,754	769,450
Freight	-	-	-	-	-	-	79	79	80
Travel	145,535	14,427	32,548	4,522	116,368	40,317	75,639	429,356	423,774
Licenses & Dues	96,190	4,085	7,356	-	622	10,400	39,561	158,214	147,235
Insurance	242,092	37,361	27,026	220	18,605	10,588	45,391	381,283	382,879
Training & Education	144,420	31,170	24,327	460	8,871	38,198	24,477	271,923	229,614
Recruitment	161,553	7,569	2,540	118	2,675	4,613	107,068	286,136	257,512
Other Expenses	275,650	9,314	130,338	774	173,973	5,941	292,699	888,689	573,796
Total Expenses before Depreciation	43,606,719	5,801,570	6,028,616	144,448	4,331,779	4,163,036	9,759,826	73,835,994	68,325,524
Depreciation	278,996	277,054	46,754	372	12,986	5,235	763,986	1,385,383	921,512
Total Expenses	\$ 43,885,715	\$ 6,078,624	\$ 6,075,370	\$ 144,820	\$ 4,344,765	\$ 4,168,271	\$ 10,523,812	\$ 75,221,377	\$ 69,247,036

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

CLINICA SIERRA VISTA

Notes to Financial Statements

March 31, 2012

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Background

Clinica Sierra Vista (the Clinic) is a non-profit corporation supported by federal, state, local grants, and revenues from operations. The Clinic's activities consist of providing quality medical, dental, and supportive services to the population of the San Joaquin Valley of California, with major emphasis on low income families. The Clinic operates twenty-six primary health care facilities located at Lamont, Bakersfield, Wofford Heights, Lebec, Arvin, Delano, McFarland, Lake Isabella, Death Valley, and Fresno. The Board of Directors governs all of the operations and programs of Clinica Sierra Vista. Their underlying philosophy and objective is to provide high quality comprehensive health care to the people of the area, regardless of income.

2. Basis of Accounting

The Clinic prepares its financial statements in accordance with generally accepted accounting principles which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

3. Basis of Presentation

The Clinic 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. The Clinic has no temporarily restricted net assets and permanently restricted net assets.

4. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain report amounts and disclosures. Accordingly, actual results could differ from those estimates.

5. Contributions

Contributions from granting agencies received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any grantor restrictions.

CLINICA SIERRA VISTA

Notes to Financial Statements

March 31, 2012

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Contributions (continued)

Support that is restricted by the grantor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other grantor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

6. Cash and Cash Equivalents

For purpose of the Statement of Cash Flows, the Clinic considers all unrestricted highly liquid investments with an initial maturity of three months or less and restricted cash available for current use to be cash equivalents.

7. Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions (all level 1 measurements). Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

8. Property and Equipment

Expenditures for property and equipment are stated at cost. Acquisitions in excess of \$5,000 are capitalized. Donated assets are recorded at their estimated fair market values at the date of donation. Depreciation of buildings and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis.

Property acquired with federal grant supported funds is considered to be owned by the Clinic while used in the program for which it was purchased or in other authorized programs. However, the federal government may request a reversionary interest in the property equal to the federal share of the grant.

9. Results of Operations

The Clinic has defined a measure of operations that considers all revenues and expenses to be related to operations, except capital grants and contributions, which are included in the category called "other changes."

CLINICA SIERRA VISTA

Notes to Financial Statements

March 31, 2012

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10. Patient Revenue

Patient service revenue is recorded at the Clinic's established rates. Sliding fee scale adjustments, provision for uncollectible accounts and contractual allowances are deducted to arrive at net patient service revenue.

11. Allowances and Adjustments to Patient Fees

Allowances for doubtful accounts are recorded in the Clinic's financial statements as a reduction to revenue from patient fees. The allowance is based on historical collection rates. Revenue from patient fees are also adjusted by discounts provided to patients who are eligible to receive discounted services based on the patient's ability to pay, in accordance with the Clinic's approved sliding fee scale. In addition, revenues from patient fees are adjusted when the Clinic is not reimbursed for services provided to patients who are covered by Medi-Cal, Medicare, Family Planning, and CHDP.

12. Personal Time Off (PTO)

The Clinic permits its employees to accumulate personal time off (up to a maximum of 400 hours) over their working careers and redeem this amount in cash upon termination of employment. The estimated amount of personal time off (PTO) pay on March 31, 2012, is \$3,107,848.

13. Leases

Leases which in substance transfer all of the benefits and risks equivalent to ownership of property are classified as capital leases. The related assets and liabilities are recorded at the amounts equal to the lesser of the present value of the minimum lease payments or the fair value of the leased property at the beginning of the lease term. Generally, such assets are amortized over their economic lives. Interest expense relating to lease liabilities are recorded using the effective interest method over the terms of the leases. All other leases are classified as operating leases.

14. Third-Party Settlements

The Clinic provides patient care services under the FQHC Medicare and Medi-Cal programs. These programs provide for current payment on a provisional basis, subject to adjustment after submission of cost reports and audits by the respective contracting agencies. The Clinic's policy is to estimate and record such adjustments in the year in which the services are rendered, and to reflect any differences between such estimates and ultimate settlements when additional data becomes available or the amount of settlements are known.

CLINICA SIERRA VISTA

Notes to Financial Statements

March 31, 2012

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

15. Fair Value of Financial Instruments

The following methods and assumptions were used by the Clinic in estimating the fair value of its financial instruments:

Cash and cash equivalents: The carrying amount reported in the balance sheet for cash and cash equivalents approximates its fair value.

Investments: Fair values, which are the amounts reported in the balance sheet, are based on quoted market prices, if available, or estimated using quoted market prices for similar securities.

Accounts payable and accrued expenses: The carrying amount reported in the balance sheet for accounts payable and accrued expenses approximates its fair value.

Estimated third-party payor settlements: The carrying amount reported in the balance sheet for estimated third-party settlements approximates its fair value.

Long-term debt: The fair value of the Clinic's long-term debt approximated the exit cost.

16. Non-Profit Status

The Clinic is a private non-profit corporation organized under the laws of the State of California. Accordingly, no provision for income taxes on the excess of revenues over expenditures is included in the accompanying financial statements.

NOTE B. CASH AND CASH EQUIVALENTS

Cash consists of the following:

Cash on Hand	\$ 6,845
Cash in Bank - Daily General Operating Accounts	538,136
Cash in Bank - Operating Reserve	<u>14,857,691</u>
	<u>\$ 15,402,672</u>

NOTE C. SHORT-TERM INVESTMENTS

Short-term investments, stated at fair value, at March 31, 2012 include:

Certificates of Deposit	\$ 2,484,925
Total Short-term Investments	<u>\$ 2,484,925</u>

CLINICA SIERRA VISTA

Notes to Financial Statements

March 31, 2012

NOTE D. PATIENT ACCOUNTS RECEIVABLE

The accounts receivable balance as of March 31, 2012, is comprised of the following:

Private Patients	\$ 4,067,885
Family Planning	301,422
Private Insurance	2,324,617
Medi-Cal	5,180,212
Medicare	952,627
CHDP	151,046
CAPK	<u>119,456</u>
	13,097,265
Less: Allowance for doubtful accounts	<u>(5,205,517)</u>
Net Patient Accounts Receivable	<u>\$ 7,891,748</u>

NOTE E. GRANTS AND CONTRACTS RECEIVABLE

The grants and contracts receivable balance of \$4,484,176 is comprised of the following:

Office of Family Planning Information & Education	\$ 22,015
Women, Infants, and Children Program	1,279,781
Comprehensive Prenatal Service	30,973
Good Shepard	375
HUD Transitional Housing	75,771
Liberty Homes	4,950
Adolescent Family Life Program	104,389
Title IV	21,311
Fresno Homeless Respite	16,785
Family Life Education	24,402
Mental Health Services Adults	118,658
GSA 9 Mental Health Childrens Services	197,485
Delano Mental Health Services Adults	26,339
CHAT	40,538
PEI Foster Care	53,831
Title II	51,472
HOPWA	23,101
Lamont Calworks Ourteach	6,031
HUD HIV	23,284
Inyo County	417
Mental Health Adult Services	83,267
Bakersfield College	40,673
Black Infant Health	13,562
Prop 10 (First Five)	152,788
Differential Response Team	255,635
Cal-Works Outreach	11,939

CLINICA SIERRA VISTA

Notes to Financial Statements

March 31, 2012

NOTE E. GRANTS AND CONTRACTS RECEIVABLE (Continued)

Patient Navigator	47,678
Cal-Works Substance Abuse	21,334
Kern Regional Center	17,556
SAMSHA	36,019
GSA 10 Mental Health Childrens Services	251,713
Delano Behavioral Health	41,053
Title IIIB	20,049
SAS	16,800
Food Stamp Program	37,507
Federal Stimulus Grants	157,646
HRSA CHC Grant	30,799
EHR Incentive	1,126,250
Total	<u>\$ 4,484,176</u>

NOTE F. PROPERTY, PLANT AND EQUIPMENT

A summary of property, plant and equipment follows:

Land	\$ 3,780,253
Land Improvements	46,678
Buildings	24,828,752
Equipment	8,176,578
Construction in Progress	<u>597,219</u>
	37,429,480
Less: Accumulated Depreciation	<u>(9,828,003)</u>
Total Property, Plant and Equipment	<u>\$ 27,601,477</u>

NOTE G. ACCRUED EXPENDITURES

Accrued liabilities at March 31, 2012, consist of the following:

Employee Paid Time Off	\$ 3,107,848
Accrued Payroll	1,076,234
Accrued Unemployment	1,933,964
Self Funded Insurance	376,426
Other Accruals	<u>247,029</u>
	<u>\$ 6,741,501</u>

NOTE H. ESTIMATED THIRD-PARTY PAYOR SETTLEMENTS

During the year ended March 31, 2012, the balance in this account was adjusted to reflect tentative settlements proposed by the Department of Health Services on FQHC Medi-Cal PPS reports filed by the Clinic for prior years and estimated liability for the current year. The estimated balance due to the Medi-Cal Program as of March 31, 2012 is \$1,019,012.

CLINICA SIERRA VISTA

Notes to Financial Statements

March 31, 2012

NOTE I. LOANS PAYABLE

Loans Payable at March 31, 2012, are summarized as follows:

Loan payable to Health Net of California. This loan bears an interest rate of 10% and had a maturity date of September 28, 2008. The Clinic is in negotiations to have this loan converted to a grant. \$ 770,000

Advance Payable to the U.S. Department of Health and Human Services. This is an advance of grant funds to Sequoia Community Health Foundation prior to Clinica Sierra Vista's purchase of the foundation. The clinic has a verbal confirmation that this loan will be forgiven. 1,092,392

Total Loans Payable \$1,862,392

NOTE J. LONG-TERM DEBT

Long-term debt liabilities at March 31, 2012, are summarized as follows:

Notes Payable

Performance promissory note payable to the Bakersfield Redevelopment Agency dated May 10, 2010 for \$125,000. Note requires the Clinic to maintain operations at their East Bakersfield dental clinic for a period of 15 years beginning August 1, 2011, and is forgivable in annual installments of \$8,333. \$ 119,445

Note payable to Bank of America dated September 28, 2005 payable in monthly installments of \$11,815, and matures on October 28, 2015. Note bears interest at 4.64%. Note is secured by a deed of trust. 467,221

Note payable to California Health Facilities Financing Authority date September 1, 2003 payable in monthly installments of \$2,762. Note bears interest at 3% and matures on November 1, 2018. Note is secured by a security interest in equipment owned by the Clinic. 200,064

Note payable to California Health Facilities Financing Authority date February 1, 2008 payable in monthly installments of \$2,970. Note bears interest at 3% and matures on May 1, 2023. Note is secured by a deed of trust. 337,766

CLINICA SIERRA VISTA

Notes to Financial Statements

March 31, 2012

NOTE J. LONG-TERM DEBT (Continued)

Note payable to NCB Capital Impact dated August 7, 2009 payable in monthly installments of \$15,468. Note bears interest at 3.0% and matures on August 1, 2015. Note is secured by a deed of trust. 431,933

Note payable to Bank of America dated May 26, 2011, payable in monthly installments of \$22,495. Note bears interest at 3.25% and matures on June 1, 2014. Note is secured by a deed of trust. 584,689

Total Long-Term Debt 2,141,118
Less: Current Portion (614,163)

Net Long-Term Debt \$ 1,526,955

Long-term debt repayments due in the next fiscal year:

2013	\$ 614,163
2014	635,328
2015	342,960
2016	148,174
2017	68,507
Thereafter	<u>331,986</u>
	<u>\$ 2,141,118</u>

NOTE K. PENSION PLAN

Clinica Sierra Vista has a salary reduction pension plan (403b) for eligible full-time employees. The plan requires the Clinic to make a basic contribution and an additional match contribution of up to 2% of each employee contribution. The basic contribution is based on years of service and ranges from 2% to 4% of the employee's annual compensation. The Clinic's pension expense for the year ended March 31, 2012 was \$1,456,517.

NOTE L. CASH RISK CONCENTRATION

Operating Cash

The Clinic's operating cash is held at various financial institutions. Non-interest bearing account balances are fully insured by the Federal Deposit Insurance Corporation, and interest bearing accounts are insured up to \$250,000. In addition, the Clinic invests in short-term U.S. Treasury obligations. As of March 31, 2012, the Clinic's uninsured cash balances totaled \$0.

CLINICA SIERRA VISTA

Notes to Financial Statements

March 31, 2012

NOTE L. CASH RISK CONCENTRATION (Continued)

Investments

The Clinic's investments consists of certificates of deposits held at various financial institutions. Each certificate is insured up to \$250,000 by the FDIC. At March 31, 2012, the Clinic's uninsured investment balance was \$0.

NOTE M. CONCENTRATION OF CREDIT RISK

The Clinic grants credit without collateral to it's patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at March 31, 2012 is as follows:

Private Patients	31%
Family Planning	2%
Private Insurance	18%
Medi-Cal	40%
Medicare	7%
CHDP	1%
CAPK	<u>1%</u>
	100%

NOTE N. COMMITMENTS AND CONTIGENCIES

Federal State Grants:

The Clinic has received federal and state grants which are subject to review and audit by the grantor agencies.

FQHC Third-Party Reimbursements:

The Clinic is a federally qualified center that is reimbursed on a cost basis for services provided to Medicare and Medi-Cal patients. Under these programs the Clinic is required to file cost reports and annual reconciliations at the end of the fiscal year. The purpose of these reports and annual reconciliations is to determine the cost of providing services to Medicare and Medi-Cal beneficiaries and to reconcile interim payments received during the year with the costs reported in the cost reports and actual PPS rates. The cost reports and annual reconciliations are subject to review and audit by the Medicare financial intermediary and the Medi-Cal program administrators. In the opinion of management, final settlement of these reports will not materially affect the financial statements of the Clinic.

CLINICA SIERRA VISTA

Notes to Financial Statements

March 31, 2012

NOTE N. COMMITMENTS AND CONTIGENCIES (Continued)

Program Funding:

Continuing program funding is contingent upon availability of funds from federal and state sources and project performance. The funds are awarded on a yearly basis upon receipt and approval of program applications.

Claims and Litigation:

The Clinic is subject to various claims and litigation. In the opinion of management, the outcome of such matters will not have a material effect on the financial position of the Corporation.

Operating Leases:

Clinica Sierra Vista is obligated under various operating leases for the business office, clinic facilities and equipment. Such leases have initial remaining non-cancelable terms in excess of one year at March 31, 2012, and require the following future minimum rental payments:

2013	1,183,223
2014	977,590
2015	305,725
2016	147,090
2017	61,288

The company incurred \$1,453,593 of rental expenses under operating leases during 2012.

NOTE O. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE P. RECLASSIFICATIONS

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

CLINICA SIERRA VISTA

Notes to Financial Statements

March 31, 2012

NOTE Q. PRIOR YEAR SUMMARIZED INFORMATION

The financial statements include certain prior year summarized comparative information in total but not by net assets class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended March 31, 2011, from which the summarized information was derived.

NOTE R. SUBSEQUENT EVENTS

On May 23, 2012, the Clinic entered into a business loan agreement with Citibank, N.A. in the amount of \$3,500,000. The purpose of this line of credit is to supplement operating cash flows. The loan requires monthly interest payments on the outstanding loan balance due to 2.00% above the current LIBOR interest rate, with the total outstanding principal balance and any unpaid interest due on July 31, 2014. The note is secured by personal property and Clinic assets. At August 16, 2012, the outstanding principle and accrued interest due is \$333,716.

On May 23, 2012, the Clinic entered into a business loan agreement with Citibank, N.A. in the amount of \$2,675,000. The purpose of this line of credit is to finance construction of a community health center. The loan requires monthly interest payments on the outstanding loan balance due of 2.00% above the current LIBOR interest rate, with the total outstanding principal balance and any unpaid interest due on July 31, 2013. The note is secured by personal property. At August 16, 2012, the outstanding principle and accrued interest due is \$495,675.

For the year ended March 31, 2012, the Clinic has evaluated subsequent events for potential recognition and disclosure through August 16, 2012, the date of financial statement issuance.

SUPPLEMENTARY FINANCIAL INFORMATION

CLINICA SIERRA VISTA

Statement of Functional Expenses
Kern County – Mental Health

For the Year Ended March 31, 2012

	Cal-Works Outreach	Sub Abuse SAPT	Sub Abuse Drug M-Cal	Sub Abuse Cal-Works	Cal Works OR Lamont	DBH MHSA	Adult MHSA WET
Salaries	\$ 38,074	\$ 19,868	\$ 17,225	\$ 16,576	\$ 30,182	\$ 69,802	\$ 6,744
Fringe Benefits	11,020	5,747	5,057	4,642	8,058	15,587	1,420
Total Salaries & Benefits	49,094	25,615	22,282	21,218	38,240	85,389	8,164
Contractual/Psychiatrist/Psychologist	-	12,402	-	-	-	34,142	-
Contractual/MFCC	-	-	-	-	-	-	7,458
Contractual/Employment Svs (Temp)	-	-	-	-	-	-	-
Consult Out/Legal	-	-	-	-	250	250	-
Audit Expenses	250	-	-	-	49	-	-
Security:LCHC-BS	-	-	-	-	-	11,553	-
Rent	2,626	5,251	2,626	1,575	-	-	-
Rent/Storage Space	-	-	-	-	-	-	-
Custodial Services	294	589	294	177	233	1,295	-
Pest Control	21	42	21	13	-	92	-
Courier Service	-	-	-	-	8	-	-
Glad Interpreter	-	-	-	-	-	-	-
Utilities	457	907	453	273	161	1,991	1
Water	-	-	-	-	-	-	-
Red Waste Disposal	-	-	-	-	-	-	-
Telephone	140	281	141	84	23	618	-
Communication Lines	-	-	-	-	7	-	-
Pagers	-	-	-	-	-	-	-
Cell Phones	-	-	-	-	-	-	-
Insurance	69	137	69	41	44	302	-
Malpractice	-	-	-	-	-	-	-
Auto Insurance	24	14	7	17	-	-	-
Maint Agreement/Annual	-	-	-	-	1	-	-
Maint Agreement/Monthly	-	-	-	-	-	-	-
Repairs/Facility	-	7	-	-	7	33	-
Repairs/Auto	-	-	-	-	-	-	-
Maintenance/Recycling	-	-	-	-	-	-	-
Maintenance/Facility	65	10	-	-	2,600	38	-
Computer Maintenance/MIS	1,007	967	490	428	715	2,342	-
Maintenance/Equipment	-	-	-	-	-	-	-
Maintenance/Relocation	-	-	-	-	-	-	-
Equipment	1,522	-	-	-	-	982	-
Equipment Rental	24	48	24	14	6	105	-
Equip/Computer Hardware/Software	400	-	-	-	3,028	193	-
Mileage	1,445	202	93	275	56	3,212	-
Gasoline & Oil	-	-	-	-	-	56	-
Travel/Seminars/Other	-	39	-	9	-	807	-
Office Supplies	114	-	-	-	-	-	-
Office Furniture	-	-	-	-	-	-	-
Medical Supplies	-	-	-	-	-	-	-
Lab Supplies	-	100	117	117	-	-	-
Janitorial Supplies:LCHS-BS	42	67	37	22	29	161	-
MIS Supplies	1,116	-	-	-	80	-	-
Health Ed Materials	-	-	-	-	-	-	-
Therapy Materials	-	-	-	-	-	-	-
Education/Training	690	1	-	1	-	887	-
CME	-	-	-	-	1	-	-
Group Meetings	-	-	-	-	-	19	-
Staff Recruitment	-	-	-	-	-	66	-
Employee Drug Testing	-	-	-	33	-	-	-
Licenses/Permits	-	-	-	-	8	-	-
Publicity/Promotions	-	-	-	-	-	-	-
Patient Incentives	-	-	-	-	-	-	-
Postage	-	-	-	-	-	-	-
Printing/Duplicating	83	167	83	50	18	366	-
Depreciation/Building	-	-	-	-	-	-	-
Depreciation/Office	-	-	-	-	-	-	-
Adm Indirect	7,295	3,787	3,328	3,155	5,692	12,765	1,217
Total Operating Expenses:	17,684	25,018	7,783	6,284	13,016	72,275	8,676
TOTAL EXPENSES:	\$ 66,778	\$ 50,633	\$ 30,065	\$ 27,502	\$ 51,256	\$ 157,664	\$ 16,840

Schedule 1

GSA 10 MHSA	Child Svcs PEI-Foster Care	GSA 10 PEI-Foster Care	GSA 10 MHSA	GSA 10 MHSA	GSA 10 MHSA	Delano Behavioral	Mental Hlth Child Svcs	GSA 10 Children Svcs	Lamont Adult Services	TOTALS
\$ 111,216	\$ 26,745	\$ 63,139	\$ 101,558	\$ 73,316	\$ 57,106	\$ 88,595	\$ 666,447	\$ 857,434	\$ 261,325	\$ 2,505,352
29,361	8,001	16,526	22,970	17,563	10,906	28,957	166,189	181,535	64,044	597,583
140,577	34,746	79,665	124,528	90,879	68,012	117,552	832,636	1,038,969	325,369	\$ 3,102,935
-	-	10,098	-	-	-	38,242	-	30,293	-	125,177
-	-	-	-	-	-	-	3,572	20,458	5,358	36,846
-	3,054	-	2,990	-	-	440	35,055	14,925	9,541	66,005
-	-	-	-	-	-	-	360	-	-	360
500	500	1,500	500	250	250	250	2,600	4,500	500	12,100
169	-	-	-	-	-	-	-	-	1,189	1,407
-	1,769	13,946	-	-	6,341	16,279	51,037	93,928	4,917	211,848
-	-	-	-	-	-	341	795	795	341	2,272
30	-	1,204	-	-	650	1,825	4,710	8,413	4,568	24,282
-	-	-	-	-	-	126	-	-	-	315
44	-	145	-	-	84	-	-	1,209	225	1,715
-	-	-	-	-	-	650	-	-	26	676
68	10	1,307	13	6	742	2,795	2,747	10,730	2,951	25,612
-	27	-	-	-	-	-	617	-	9	653
-	-	-	-	-	-	-	230	-	-	230
128	140	891	-	-	364	910	3,645	5,562	447	13,374
-	-	80	-	-	44	-	4,170	597	721	5,619
-	-	-	-	-	-	83	90	270	134	577
-	-	-	-	325	-	876	2,130	2,092	696	6,119
-	83	314	-	-	153	426	2,347	2,252	820	7,057
-	-	-	-	-	-	90	190	367	116	763
-	-	-	-	-	-	69	912	256	59	1,358
847	-	-	80	-	20	40	-	60	127	1,175
-	-	-	-	-	-	-	-	-	334	334
-	-	-	-	29	-	22	56	97	99	350
-	-	-	-	-	-	-	89	-	-	89
-	11	-	-	-	-	-	251	-	-	262
-	-	1,030	-	-	343	226	135	6,141	3,430	14,018
3,514	1,447	4,922	3,674	2,230	1,957	3,427	18,243	25,431	6,976	77,770
-	-	-	-	-	-	-	-	23	-	23
-	-	-	-	-	-	-	-	175	-	175
2,622	-	754	-	-	251	-	1,524	7,269	5,027	19,951
8	3	44	-	-	25	149	313	363	151	1,277
694	-	1,006	-	-	335	96	337	6,143	359	12,591
3,383	355	197	2,642	2,173	76	1,871	9,676	5,187	1,872	32,715
-	-	-	-	-	-	-	927	-	-	927
1,412	-	-	-	95	-	151	472	538	189	2,961
1,515	2,164	1,419	1,193	1,250	49	2,133	8,568	17,155	4,345	40,712
974	-	-	214	382	-	-	980	11,889	2,311	16,750
-	-	-	-	-	-	270	629	629	600	2,128
-	-	-	-	330	-	-	-	-	-	664
4	-	123	-	-	60	227	587	915	573	2,847
485	-	6	-	48	2	-	321	466	-	2,524
-	-	-	208	-	-	-	18	-	-	226
-	-	-	-	-	-	-	435	838	-	1,273
5,369	-	2,029	4,669	491	2,391	454	5,958	6,771	858	30,569
81	-	-	-	-	-	-	1,038	1,101	565	2,785
-	-	-	-	95	-	4	171	185	35	491
-	-	-	20	-	1,322	177	300	798	23	2,659
-	5	-	-	66	33	99	451	429	341	1,523
10,000	-	-	-	-	-	120	112	-	-	10,232
7	6	-	-	-	-	-	135	-	112	268
-	45	-	-	947	-	-	823	2,513	133	4,461
-	-	-	-	-	218	-	655	461	-	1,334
43	-	89	909	-	140	861	2,212	3,052	342	8,415
-	-	-	-	-	-	-	1,542	-	206	1,748
-	-	-	-	-	-	1,237	393	1,023	-	2,653
20,893	5,194	11,811	18,516	13,548	10,121	17,434	124,252	154,996	48,178	462,182
52,790	14,813	52,915	35,628	22,265	25,971	92,400	296,810	451,295	109,804	1,305,427
\$ 193,367	\$ 49,559	\$ 132,580	\$ 160,156	\$ 113,144	\$ 93,983	\$ 209,952	\$ 1,129,446	\$ 1,490,264	\$ 435,173	\$ 4,408,362

CLINICA SIERRA VISTA

Statement of Functional Expenses
Kern County-Other Programs

For the Year Ended March 31, 2012

	Black Infant Health	KMC CPSP	Targeted Case Mgmt	TCM Ridgecrest	TCM SENP
Salaries	\$ 42,007	\$ 84,973	\$ -	\$ -	\$ 7,646
Fringe Benefits	12,109	21,032	-	-	1,020
Total Salaries & Benefits	54,116	106,005	-	-	8,666
Contractual Agencies Physicians	-	-	-	-	-
Contractual/Outside Lab	-	-	-	-	-
Contractual/Employment Svs (Temp)	-	-	-	-	121
Consult Out/Legal	-	-	-	-	-
Security:LCHC-BS	-	-	-	-	-
Rent	-	-	-	-	-
Rent / Storage Space	-	-	-	-	-
HOA Fees	-	-	-	-	-
Custodial Services	-	-	-	-	-
Pest Control	-	-	-	-	-
Courier Service	-	8	-	-	-
Utilities	-	-	-	-	-
Water	-	-	-	-	-
Telephone	-	-	-	-	-
Communication Lines	-	-	-	-	-
Cell Phones	1,084	-	-	-	-
Insurance	-	-	-	-	-
Malpractice	-	-	-	-	-
Auto Insurance	-	-	-	-	-
Repairs/Facility	-	-	-	-	500
Repairs/Auto	-	-	-	-	-
Maintenance/Recycling	-	-	-	-	-
Maintenance/Facility	-	-	-	-	-
Computer Maintenance/MIS	-	-	-	-	-
Maintenance/Relocation	-	-	-	-	-
Equipment	-	-	-	-	-
Equipment/Lease	-	-	-	-	-
Equipment Rental	-	-	-	452	159
Mileage	1,461	-	-	-	-
Travel/Seminars/Other	515	-	-	-	-
Office Supplies	122	-	-	-	64
Janitorial Supplies:LCHC-BS	-	-	-	-	-
Education/Training	-	-	500	-	685
Employee Drug Testing	66	-	-	-	33
Publicity/Promotions	-	-	-	-	-
Patient Incentives	-	-	-	-	-
Food/Client Services	-	-	-	-	-
Postage	-	-	-	-	-
Printing/Duplicating	419	-	-	-	-
HOPWA Services/KLL	-	-	-	-	-
Title II Services/KLL	-	-	-	-	-
Dental Expense Allocation	-	-	-	-	-
Depreciation/Building	-	-	-	-	-
Depreciation/Office	-	-	-	-	-
Adm Indirect	4,586	9,075	-	-	1,290
Total Operating Expenses:	8,253	9,083	500	452	2,852
TOTAL EXPENSES:	\$ 62,369	\$ 115,088	\$ 500	\$ 452	\$ 11,518

Cal-Learn	HOPWA Title II	Kern Life Line Title II	TOTAL
\$ 83,329	\$ 40,007	\$ 90,250	\$ 348,212
14,231	11,185	19,275	78,852
97,560	51,192	109,525	427,064
-	-	6,631	6,631
-	-	33,391	33,391
-	-	2,697	2,697
-	-	-	121
34	20	8	62
9,606	5,783	7,288	22,677
377	-	-	377
-	51	51	102
1,584	1,532	1,832	4,948
37	-	-	37
168	135	148	451
1,482	1,141	1,548	4,179
14	-	-	14
405	226	151	782
695	22	22	739
1,177	318	1,095	3,674
412	206	275	893
-	-	94	94
61	76	-	137
35	-	-	35
407	-	-	907
36	-	-	36
157	264	264	685
3,704	555	1,076	5,335
120	-	-	120
-	364	698	1,062
908	-	-	908
66	-	-	66
3,322	-	1,706	7,100
-	-	-	515
2,599	794	2,990	6,569
163	182	270	615
-	-	-	1,185
73	-	8	180
149	-	-	149
-	-	1,940	1,940
-	-	7,386	7,386
123	-	-	123
-	-	-	419
-	76,055	-	76,055
-	-	8,470	8,470
-	-	19,700	19,700
957	-	-	957
2,819	-	-	2,819
14,643	2,700	6,940	39,234
46,333	90,424	106,679	264,576
\$ 143,893	\$ 141,616	\$ 216,204	\$ 691,640

CLINICA SIERRA VISTA

Schedule of Expenditures of Federal Awards

For the Year Ended March 31, 2012

<u>Program Name</u>	<u>Pass-through Grantor</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Expenditures</u>
<u>U.S. Department of Health and Human Services</u>				
Grants for Coordinated Services and Access to Research for Women, Infants, Children and Youth	University Medical Center Ambulatory Care Services	93.153	N/A	\$ 88,896
Health Center Clusters:				
Community Health Centers	N/A	93.224	N/A	4,361,017
Health Centers Grants for Migrant and Seasonal Farm Workers	N/A	93.224	N/A	7,780,048
Health Centers Grants for Homeless Populations	N/A	93.224	N/A	<u>1,532,091</u>
				13,673,156
ARRA-Facility Investment Program	N/A	93.703	N/A	464,509
ARRA-Health Information Technology Implementation	N/A	93.703	N/A	1,273,506
ARRA-Capital Improvement Program	N/A	93.703	N/A	<u>263,858</u>
				2,001,873
Substance Abuse and Mental Health Services Projects of Regional and National Significance	N/A	93.243	N/A	496,179
Immunization Grants	California Department of Public Health	93.268	09-11315	1,073
Temporary Assistance for Needy Families	Kern County Department of Human Services	93.558	592-2010	139,808
Temporary Assistance for Needy Families	Kern County Superintendent of Schools	93.558	100761	22,230

CLINICA SIERRA VISTA

Schedule of Expenditures of Federal Awards
(Continued)
For the Year Ended March 31, 2012

<u>Program Name</u>	<u>Pass-through Grantor</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Expenditures</u>
<u>U.S. Department of Health and Human Services</u>				
Temporary Assistance for Needy Families	Kern County Network for Children	93.558	N/A	398,726
				<u>560,764</u>
Medical Assistance Program	State of California Department of Health Services	93.778	11-10280	36,980
Medical Assistance Program	Kern County Department of Mental Health	93.778	640-2011	188,342
Medical Assistance Program	Kern County Department of Mental Health	93.778	512-2011	157,292
Medical Assistance Program	Kern County Department of Mental Health	93.778	442-2011	598,162
Medical Assistance Program	Kern County Department of Public Health	93.778	541-2010	84,701
Medical Assistance Program	Kern County Department of Mental Health	93.778	615-2010	858,960
Medical Assistance Program	Kern County Department of Mental Health	93.778	513-2010	15,904
				<u>1,940,341</u>
Patient Navigator and Chronic Disease Prevention Program	N/A	93.191	N/A	446,706
Pregnancy Assistance Fund Program	State of California Department of Public Health	93.500	05-45107	48,873

CLINICA SIERRA VISTASchedule of Expenditures of Federal Awards
(Continued)

For the Year Ended March 31, 2012

<u>Program Name</u>	<u>Pass-through Grantor</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Expenditures</u>
HIV Care Formula Grants	Kern County Department of Public Health	93.917	028-2011	161,151
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	N/A	93.918	N/A	331,252
Health Care and Other Facilities	N/A	93.887	N/A	251,001
Block Grants for the Prevention and Treatment of Substance Abuse	Kern County Department of Mental Health	93.959	513-2010	26,154
Block Grants for the Prevention and Treatment of Substance Abuse	Kern County Department of Mental Health	93.959	512-2011	66,325
Block Grants for the Prevention and Treatment of Substance Abuse	Kern County Department of Mental Health	93.959	640-2011	<u>50,968</u>
				143,447
Maternal & Child Health Services Block Grant to the States	State of California Department of Health	93.994	05-45107	<u>316,540</u>
Total U.S. Department of Health and Human Services				20,461,252
<u>U.S. Department of Housing and Urban Development</u>				
Housing Opportunities for People with AIDS	Kern County Department of Public Health	14.241	856-2011	140,905
Supportive Housing Program	N/A	14.235	N/A	93,681
Supportive Housing Program	N/A	14.235	N/A	<u>75,771</u>
				<u>169,452</u>
Total U.S. Department of Housing and Urban Development				310,357
<u>U.S. Department of Justice</u>				
Crime Victim Assistance	State of California Governor's Office of Emergency Services (VOCA)	16.575	AT10071761	<u>179,010</u>
Total U.S. Department of Justice				179,010

CLINICA SIERRA VISTASchedule of Expenditures of Federal Awards
(Continued)

For the Year Ended March 31, 2012

<u>Program Name</u>	<u>Pass-through Grantor</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Expenditures</u>
<u>U.S. Department of Agriculture</u>				
Special Supplemental Nutrition Program for Women, Infants, and Children	California Department of Health Services	10.557	08-85419	6,357,395
State Administrative Matching Grants for Food Stamp Program	California Department of Health Services	10.561	10-10164	<u>149,189</u>
Total U.S. Department of Agriculture				6,506,584
<u>U.S. Department of Education</u>				
Special Education-Grants for Infants and Families	Kern Regional Center	84.181	PK4506	<u>259,043</u>
Total U.S. Department of Education				259,043
Total Expenditures of Federal Awards				<u>\$ 27,716,246</u>

Notes to Schedule of Expenditures of Federal Awards

Note A - Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting.

REPORT TO MANAGEMENT



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*

To The Board of Directors
Clinica Sierra Vista
Bakersfield, California

We have audited the financial statements of Clinica Sierra Vista (a nonprofit organization) as of and for the year ended March 31, 2012, and have issued our report thereon dated August 16, 2012. 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

Management of Clinica Sierra Vista is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Clinica Sierra Vista'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 Clinica Sierra Vista's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Clinica Sierra Vista'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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 internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clinica Sierra Vista'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*.

This report is intended solely for the information and use of the Audit Committee, Board of Directors, management, 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.

August 16, 2012

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OSCAR G. ARMIJO
 Certified Public Accountant

41-990 COOK ST., STE. 501 • PALM DESERT, CALIFORNIA 92211 • (760) 773-4078 • FAX (760) 773-4079

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
 Clinica Sierra Vista, Inc.
 Bakersfield, California

Compliance

We have audited Clinica Sierra Vista's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Clinica Sierra Vista's major federal programs for the year ended March 31, 2012. Clinica Sierra Vista'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 Clinica Sierra Vista's management. Our responsibility is to express an opinion on Clinica Sierra Vista'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, *Audit 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 Clinica Sierra Vista'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 on Clinica Sierra Vista's compliance with those requirements.

In our opinion, Clinica Sierra Vista complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2012.

Internal Control Over Compliance

Management of Clinica Sierra Vista is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Clinica Sierra Vista's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the 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 Clinica Sierra Vista's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination 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.

This report is intended solely for the information and use of management, the Audit Committee, 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.

August 16, 2012

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CLINICA SIERRA VISTA

Schedule of Findings and Questioned Costs

Year Ended March 31, 2012

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

___ Yes X No

Significant deficiencies identified

not considered to be material weaknesses?

___ Yes X No

Noncompliance material to financial statements noted?

___ Yes X None Reported

Federal Awards

Internal control over financial reporting:

Material weakness(es) identified?

___ Yes X No

Significant deficiencies identified

not considered to be material weaknesses?

___ Yes X None Reported

Type of auditor’s report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?

___ Yes X No

Identification of Major Programs:

- 93.224 U.S. Department of Health and Human Services – Health Center Cluster
- 93.703 U.S. Department of Health and Human Services – ARRA-Capital Improvement Program
- 93.703 U.S. Department of Health and Human Services – ARRA-Facility Investment Program
- 93.703 U.S. Department of Health and Human Services – ARRA-Health Information Technology Implementation

Dollar threshold used to distinguish between Type A and Type B programs:

\$831,487

Auditee qualified as low-risk auditee?

___ Yes X No

Section II – Financial Statements Findings
None

Section III – Federal Award Findings and Questioned Costs
None

CLINICA SIERRA VISTA

Summary Schedule of Prior Audit Findings

Year Ended March 31, 2012

Finding 11-1

Condition: Monthly and year end reconciliations, analysis, and reviews were not being performed on certain general ledger accounts.

Recommendation: The auditor recommended the Organization perform monthly and year end reconciliations, analysis and reviews on all general ledger accounts.

Current Status: Condition Corrected.