

CLINICA SIERRA VISTA

FINANCIAL REPORT

MARCH 31, 2014

CLINICA SIERRA VISTA

March 31, 2014

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INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
Clinica Sierra Vista
Bakersfield, California

Report on the Financial Statements

We have audited the accompanying financial statements of Clinica Sierra Vista, (a nonprofit organization), which comprise the statement of financial position as of March 31, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

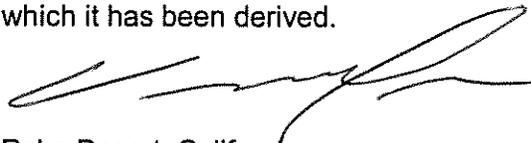
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary financial information on pages 19 to 20 is presented for purposes of additional analysis and is not a required part of the financial statements of the Organization. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is also 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2014, on our consideration of Clinica Sierra Vista'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Clinica Sierra Vista's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited Clinica Sierra Vista's 2013 financial statements, and our report dated July 29, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Palm Desert, California
August 13, 2014

FINANCIAL STATEMENTS

CLINICA SIERRA VISTA

Statement of Financial Position

March 31, 2014, with Comparative Totals
For the Year Ended March 31, 2013

ASSETS

CURRENT ASSETS

	<u>2014</u>	<u>2013</u>
Cash and Cash Equivalents (Note B)	\$ 6,275,069	\$ 21,821,668
Short term investments	11,252,417	-
Patient accounts receivable-net (Note C)	9,101,658	8,411,049
Grants and contracts receivable (Note D)	3,726,780	3,734,877
Other receivables	3,195,730	2,361,973
Prepaid expenses	135,965	362,804
Restricted Cash	-	2,679,489

TOTAL CURRENT ASSETS

	33,687,619	39,371,860
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PROPERTY AND EQUIPMENT - NET (Note E)

	36,506,774	36,638,652
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OTHER ASSETS

Goodwill	50,000	50,000
Deferred charges	-	98,322

TOTAL OTHER ASSETS

	50,000	148,322
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TOTAL ASSETS

	<u>\$ 70,244,393</u>	<u>\$ 76,158,834</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 1,880,777	\$ 3,013,719
Accrued expenditures (Note F)	8,122,679	7,703,902
Loans payable	-	3,643,041
Advances from grants (Note G)	3,328,311	6,026,722
Estimated third-party payor settlements (Note H)	1,632,319	1,323,929
Current portion long-term debt (Note I)	518,948	817,815

TOTAL CURRENT LIABILITIES

	15,483,034	22,529,128
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LONG-TERM DEBT, less current portion (Note I)

	<u>2,191,496</u>	<u>3,431,114</u>
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TOTAL LIABILITIES

	<u>17,674,530</u>	<u>25,960,242</u>
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NET ASSETS

Unrestricted	<u>52,569,863</u>	<u>50,198,592</u>
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TOTAL NET ASSETS

	<u>52,569,863</u>	<u>50,198,592</u>
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TOTAL LIABILITIES AND NET ASSETS

	<u>\$ 70,244,393</u>	<u>\$ 76,158,834</u>
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See accompanying notes to financial statements.

CLINICA SIERRA VISTA

Statement of Activities

For the Year Ended March 31, 2014, with
Comparative Totals For the Year Ended March 31, 2013

UNRESTRICTED NET ASSETS	<u>2014</u>	<u>2013</u>
OPERATING REVENUES, GAINS AND OTHER SUPPORT		
Patient Revenue	\$ 50,107,146	\$ 47,958,705
Grant Revenue	35,607,495	33,097,883
Other Income	<u>715,202</u>	<u>290,605</u>
TOTAL OPERATING REVENUES, GAINS AND OTHER SUPPORT	<u>86,429,843</u>	<u>81,347,193</u>
OPERATING EXPENSES		
Program Services		
Medical	49,839,057	48,047,971
Dental	7,672,140	6,399,308
Nutrition Education	6,946,849	6,250,904
Health Education	576,382	384,584
Outreach & Case Management Services	5,299,165	4,858,326
Behavioral Health Services	5,112,848	4,550,483
Supporting Services		
Management and General	<u>11,457,812</u>	<u>12,214,248</u>
TOTAL EXPENSES	<u>86,904,253</u>	<u>82,705,824</u>
CHANGE IN NET ASSETS FROM OPERATIONS	(474,410)	(1,358,631)
OTHER CHANGES		
Capital grants and contributions	<u>2,845,681</u>	<u>4,874,636</u>
TOTAL OTHER CHANGES	<u>2,845,681</u>	<u>4,874,636</u>
INCREASE IN NET ASSETS	2,371,271	3,516,005
NET ASSETS AT BEGINNING OF PERIOD	<u>50,198,592</u>	<u>46,682,587</u>
NET ASSETS AT END OF PERIOD	<u>\$ 52,569,863</u>	<u>\$ 50,198,592</u>

See accompanying notes to financial statements.

CLINICA SIERRA VISTA

Statement of Cash Flows

For the Year Ended March 31, 2014, with
Comparative Totals For the Year Ended March 31, 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,371,271	\$ 3,516,005
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	2,578,861	1,817,056
Loss on disposal of fixed assets	1,032,743	53,520
Loss on prepaid loan fees	98,322	-
Grants for capital expenditures	(2,845,681)	(4,874,636)
Debt forgiveness	(1,870,725)	(8,333)
(Increase) Decrease in Operating Assets		
Patient accounts receivable	(690,609)	(519,302)
Grants receivable	8,097	749,299
Other receivables	(833,757)	39,936
Prepaid expenses and deposits	226,839	(102,424)
Increase (Decrease) in Operating Liabilities		
Accounts payable	(1,132,942)	1,626,227
Accrued expenditures	418,777	962,401
Advances from grants	(2,698,411)	5,176,277
Other liabilities	308,390	304,917
NET CASH PROVIDED BY OPERATING ACTIVITIES	(3,028,825)	8,740,943
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(3,479,727)	(10,898,812)
Transfers to restricted cash	-	(2,679,489)
Transfer from restricted cash	2,679,489	-
Transfer to investments	(11,252,417)	-
Transfers from investments	-	2,484,925
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(12,052,655)	(11,093,376)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans payable	-	1,780,649
Proceeds from long-term debt	2,000,000	2,721,509
Payments of loans payable	(1,780,649)	-
Payments of long-term debt	(3,530,151)	(605,365)
Investment in fixed assets	2,845,681	4,874,636
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(465,119)	8,771,429
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(15,546,599)	6,418,996
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	21,821,668	15,402,672
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 6,275,069	\$ 21,821,668

See accompanying notes to financial statements.

CLINICA SIERRA VISTA

Statement of Functional Expenses

For the Year Ended March 31, 2014, with
Comparative Totals For the Year Ended March 31, 2013

	Medical Services	Dental Services	Nutrition Education Services	Health Education Services	Outreach & Case Mgmt Services	Behavioral Health Services	Supporting & General Services	Total 2014	Total 2013
Salaries	\$ 30,112,067	\$ 3,900,390	\$ 3,806,407	\$ 355,283	\$ 2,987,508	\$ 2,837,503	\$ 5,800,863	\$ 49,800,019	\$ 46,990,823
Fringe Benefits	6,333,332	853,231	1,109,193	73,420	783,091	712,093	1,474,343	11,338,703	10,608,169
Total Salaries & Benefits	36,445,399	4,753,621	4,915,600	428,703	3,770,597	3,549,596	7,275,206	61,138,722	57,598,992
Consultants/Contractual	4,137,635	422,944	253,925	1,308	205,181	397,118	1,072,413	6,490,524	7,517,219
Administrative Indirect	68,345	882,954	681,624	37,375	307,960	521,896	(2,499,953)	201	-
Construction	-	-	-	-	-	-	90,160	90,160	-
Equipment	453,778	17,781	24,808	8,225	45,760	59,360	40,511	650,223	609,962
Medical Supplies	1,760,040	937	1,232	159	1,729	1,798	1,168	1,767,063	1,663,848
Office Supplies	406,636	15,202	58,233	14,105	70,943	40,835	96,316	702,470	694,800
Laboratory Supplies	304,692	-	-	-	11,772	817	-	317,281	304,739
Dental Supplies	-	658,152	-	-	-	-	-	658,152	551,596
X-ray Supplies	39,875	131	-	-	-	-	-	40,006	59,723
Housekeeping Supplies	79,790	7,595	16,462	127	3,793	5,545	5,023	118,335	160,087
Other Supplies	72,477	2,824	7,398	434	12,858	3,628	4,995	104,614	173,571
Durable Supplies	127,981	589	13,352	-	6,800	3,076	23,887	175,685	255,393
Pharmacy Supplies	347,187	818	-	-	-	-	-	348,005	523,540
Rent/Lease	528,744	24,914	349,549	38,820	256,619	258,798	423,042	1,880,486	1,739,743
Utilities	646,087	101,442	123,773	1,115	70,222	31,443	74,642	1,048,724	1,006,132
Maintenance & Repairs	1,022,861	281,536	108,290	14,219	111,663	97,174	788,444	2,424,187	2,380,889
Property Tax	87	310	-	-	-	-	9,197	9,594	10,018
Interest	136,003	9,309	623	-	456	-	-	146,391	76,982
Hazardous Waste	177,268	9,535	-	-	-	-	655	187,478	137,241
Telephone	328,138	21,483	112,053	6,311	48,476	46,274	96,023	658,758	620,754
Postage	129,894	8,412	9,297	197	2,051	1,734	73,046	224,631	221,101
Publicity/Promotions	59,064	17,860	20,494	-	5	101	34,694	132,218	137,278
Pagers & Answering Service	56,806	2,699	-	-	-	579	1,453	61,537	58,660
Printing & Publications	566,315	26,385	11,832	1,708	9,829	4,631	111,294	731,994	1,016,555
Travel	153,139	17,879	42,722	13,084	119,638	52,469	116,552	515,483	459,306
Licenses & Dues	117,455	4,937	6,942	-	1,172	1,045	51,145	182,696	154,339
Insurance	250,352	27,844	30,408	507	12,351	11,100	45,684	378,246	375,318
Training & Education	128,919	30,246	22,926	1,901	17,030	10,393	19,786	231,201	298,297
Recruitment	175,638	14,556	3,407	694	3,774	5,456	250,036	453,561	310,252
Other Expenses	56,222	583	84,047	7,390	194,262	6,234	976,963	1,325,701	1,718,913
Total Expenses before Depreciation	48,777,047	7,363,478	6,898,997	576,382	5,284,941	5,111,100	9,182,382	83,194,327	80,835,248
Loss on disposal of property & equipment	-	-	-	-	-	-	1,131,065	1,131,065	53,520
Depreciation	1,062,010	308,662	47,652	-	14,224	1,748	1,144,365	2,578,861	1,817,056
Total Expenses	\$ 49,839,057	\$ 7,672,140	\$ 6,946,649	\$ 576,382	\$ 5,299,165	\$ 5,112,848	\$ 11,457,812	\$ 86,904,253	\$ 82,705,824

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

CLINICA SIERRA VISTA

Notes to Financial Statements

March 31, 2014

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. Refundable Advances

The Clinic records grant awards accounted for as exchange transactions as refundable advances until related services are performed, at which time they are recognized as revenue.

CLINICA SIERRA VISTA

Notes to Financial Statements

March 31, 2014

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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."

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.

CLINICA SIERRA VISTA

Notes to Financial Statements

March 31, 2014

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 420 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, 2014, is \$3,381,328.

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, 2014

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. Income Taxes

The Clinic is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and application state law.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under the guidance, the Clinic may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Clinic and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for fiscal year 2014.

The Clinic files its Form 990 in the U.S. federal jurisdiction and the office of the state's attorney general for the State of California. The Clinic is generally no longer subject to examination by the Internal Revenue Service for years before 2011.

CLINICA SIERRA VISTA

Notes to Financial Statements

March 31, 2014

NOTE B. CASH AND CASH EQUIVALENTS

Cash consists of the following:

Cash on Hand	\$ 6,695
Cash in Bank – Daily General Operating Accounts	2,372,504
Money Market Accounts – Operating Reserve	<u>3,895,870</u>
	<u>\$ 6,275,069</u>

NOTE C. PATIENT ACCOUNTS RECEIVABLE

The accounts receivable balance as of March 31, 2014, is comprised of the following:

Private Patients	\$ 5,529,201
Family Planning	243,637
Private Insurance	2,886,736
Medi-Cal	4,800,909
Medicare	1,124,842
CHDP	<u>623,894</u>
	15,209,219
Less: Allowance for doubtful accounts	<u>(6,107,561)</u>
Net Patient Accounts Receivable	<u>\$ 9,101,658</u>

NOTE D. GRANTS AND CONTRACTS RECEIVABLE

The grants and contracts receivable balance of \$3,726,780 is comprised of the following:

Office of Family Planning Information & Education	\$ 16,903
Women, Infants, and Children Program	1,550,328
Kern Medical Center- CPSP	19,854
Good Shepard	375
HUD Transitional Housing	52,277
Liberty Homes	2,475
Adolescent Family Life Program	33,171
Title IV	20,023
Fresno Homeless Respite	20,464

CLINICA SIERRA VISTA

Notes to Financial Statements

March 31, 2014

NOTE D. GRANTS AND CONTRACTS RECEIVABLE (Continued)

HRSA Outreach & Enrollment	5,277
Family Life Education	8,064
Mental Health Services Adults	157,759
GSA 9 Mental Health Childrens Services	181,053
Delano Mental Health Services Adults	26,170
CHAT	43,094
PEI Foster Care	29,331
Title II	63,269
HOPWA	13,030
Lamont Calworks Ourteach	7,458
HUD HIV	6,650
Inyo County	417
Mental Health Adult Services	79,279
Bakersfield College	50,600
Black Infant Health	14,260
Prop 10 (First Five)	125,954
Differential Response Team	295,350
Cal-Works Outreach	11,365
Patient Responsibility Education	100,350
Cal-Works Substance Abuse	32,841
Kern Regional Center	38,442
GSA 10 Mental Health Childrens Services	269,751
Delano Behavioral Health	56,347
HUD Homeless MVP	1,206
SAS	30,600
Food Stamp Program	52,403
Substance Abuse	11,033
SELPA	44,557
EHR Incentive	255,000
Total	<u>\$ 3,726,780</u>

NOTE E. PROPERTY, PLANT AND EQUIPMENT

A summary of property, plant and equipment follows:

Land	\$ 3,781,690
Land Improvements	46,678
Buildings	35,451,100
Equipment	9,487,957
Construction in Progress	<u>1,394,907</u>
	50,162,332
Less: Accumulated Depreciation	<u>(13,655,558)</u>
Total Property, Plant and Equipment	<u>\$ 36,506,774</u>

CLINICA SIERRA VISTA

Notes to Financial Statements

March 31, 2014

NOTE F. ACCRUED EXPENDITURES

Accrued liabilities at March 31, 2014, consist of the following:

Employee Paid Time Off	\$ 3,381,328
Accrued Payroll	1,520,649
Accrued Unemployment	2,280,701
Self Funded Insurance	550,903
Other Accruals	389,098
	<u>\$ 8,122,679</u>

NOTE G. REFUNDABLE ADVANCES

The Clinic's grant advances balance of \$3,328,311 is comprised of the following:

Dietician Internship	\$ 10,760
Kern Medical Center-CPSP	14,833
Baby Think it Over	10,798
Kern County Immunization	6,465
The California Endowment	217,368
Mini Grant	2,000
First-Five Southeast	11,982
First-Five Indian Wells Valley	13,897
First-Five MVIP	15,471
American Cancer Promotores	2,687
Federal CHC-Diabetes	9,790
Medicare APCP	16,506
Kern Health Systems	2,391,803
Foundation Special Projects	576,955
Other	16,869
Total	<u>\$ 3,328,311</u>

NOTE H. ESTIMATED THIRD-PARTY PAYOR SETTLEMENTS

During the year ended March 31, 2014, 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, 2014 is \$1,632,319.

CLINICA SIERRA VISTA

Notes to Financial Statements

March 31, 2014

NOTE I. LONG-TERM DEBT

Long-term debt liabilities at March 31, 2014, 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.	\$ 102,778
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.	216,033
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.	144,217
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.	285,287
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, 2014. Note is secured by a deed of trust.	76,754
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.	67,287
Note payable to NCB Capital Impact dated April 2, 2013. Note is payable in monthly installments of \$18,886, bears interest at 2.5%, and matures on April 1, 2023. Note is secured by a deed of trust.	<u>1,818,088</u>

CLINICA SIERRA VISTA

Notes to Financial Statements

March 31, 2014

NOTE I. LONG-TERM DEBT (Continued)

Total Long-Term Debt	2,710,444
Less: Current Portion	<u>(518,948)</u>
Net Long-Term Debt	<u>\$ 2,191,496</u>

Long-term debt repayments due in the following five fiscal years:

2015	\$ 518,948
2016	328,729
2017	254,466
2018	261,861
2019	258,427
Thereafter	<u>1,088,013</u>
	<u>\$ 2,710,444</u>

NOTE J. PENSION PLAN

Clinica Sierra Vista has a salary reduction pension plan 403(b) 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, 2014 was \$1,713,838.

In March 17, 2014 the Clinic established a deferred compensation plan under the Internal Revenue Code Section 457(f). The plan is available for certain key managerial executives of the Clinic as determined by its Board of Directors. Contributions to the plan are made in accordance with the plan agreement. Contributions to the plan were \$96,750 for the year ended March 31, 2014.

NOTE K. CASH RISK CONCENTRATION

Operating Cash

The Clinic's operating cash is held at various financial institutions. Account balances at these institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. At March 31, 2014, the Clinic's uninsured operating cash balance totaled \$3,377,125.

Investments

The Clinic's investments is comprised of United States Treasury Bills and certificates of deposits and is managed by a local brokerage firm. U.S. Treasury Bills are secured by the good faith and credit of the United States Government. Certificates of deposits are insured up to \$250,000 by the issuing bank's participation in the Federal Deposit Insurance Corporation. At March 31, 2014, the Clinic's uninsured balance on certificates of deposits totaled \$146,248.

CLINICA SIERRA VISTA

Notes to Financial Statements

March 31, 2014

NOTE L. CONCENTRATION OF CREDIT RISK

The Clinic grants credit without collateral to its 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, 2014 is as follows:

Private Patients	36%
Family Planning	2%
Private Insurance	19%
Medi-Cal	32%
Medicare	7%
CHDP	<u>4%</u>
	100%

NOTE M. COMMITMENTS AND CONTINGENCIES

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.

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.

CLINICA SIERRA VISTA

Notes to Financial Statements

March 31, 2014

NOTE M. COMMITMENTS AND CONTIGENCIES (Continued)

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, 2014, and require the following future minimum rental payments:

2015	1,277,701
2016	837,384
2017	738,903
2018	700,941
2019	641,742

The company incurred \$1,915,804 of rental expenses under operating leases during 2014.

NOTE N. 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 O. 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.

NOTE P. 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, 2013, from which the summarized information was derived.

CLINICA SIERRA VISTA

Notes to Financial Statements

March 31, 2014

NOTE Q. EVALUATION OF SUBSEQUENT EVENTS

For the year ended March 31, 2014, the Clinic has evaluated subsequent events for potential recognition and disclosure through August 13, 2014, 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, 2014

	MHSA- Delano	MHSA Lamon/Frazier	CW Outreach Delano	CW Outreach Lamont	Delano Behavioral	Adult MHSA WET	Project Care MHSA-PEI	MHCS	GSA 10	MHCS PE Foster Care
Salaries	\$ 73,675	\$ 216,978	\$ 37,151	\$ 28,883	\$ 152,979	\$ 6,406	\$ 295,939	\$ 578,941	\$ 792,893	\$ 21,538
Fringe Benefits	14,584	47,508	11,207	8,208	37,368	1,487	66,964	143,838	217,002	6,268
Total Salaries & Benefits	88,159	264,486	48,358	37,091	190,345	7,893	362,903	722,777	1,009,995	27,804
Contractual/Psychiatrist/Psychologist	624	31,619	-	-	5,784	-	252	25,550	97,393	-
Contractual/MFCC	-	16,057	-	-	-	12,831	29,587	24,333	33,869	-
Contractual/Employment Svs (Temp)	4,739	360	834	-	9,070	-	-	-	18,444	-
Consult Out/Legal	-	246	-	-	246	-	985	985	1,970	-
Audit Expenses	500	860	250	250	750	-	1,500	2,600	4,500	500
Security	-	1,914	-	74	-	-	507	-	1,881	-
Rent	15,657	2,880	2,269	-	15,928	-	-	61,125	110,672	3,023
Rent/Storage Space	-	386	-	-	386	-	-	-	901	-
Custodial Services	1,740	7,935	252	256	1,773	-	410	4,564	12,410	-
Pest Control	132	-	19	-	134	-	6	-	-	-
Courier Service	-	222	-	8	-	-	123	-	993	-
Grad Interpreter	-	33	-	-	-	-	140	-	-	-
Utilities	3,513	4,943	525	165	3,621	2	465	2,708	9,388	10
Water	-	-	-	-	-	-	-	664	-	40
Telephone	931	60	135	2	948	-	25	1,935	3,571	117
Communication Lines	2,537	1,978	368	30	2,583	-	118	14,174	2,757	203
Pagers	-	129	-	-	90	-	-	90	270	-
Cell Phones	24	853	-	-	942	-	691	2,793	2,595	-
Insurance	308	1,607	45	55	313	-	104	1,631	2,428	76
Malpractice	-	183	-	-	148	-	-	245	508	-
Auto Insurance	-	59	24	-	69	-	-	908	258	-
Maint Agreement/Annual	-	1,259	-	32	67	-	-	423	2,113	30
Maint Agreement/Monthly	-	350	-	-	-	-	-	-	-	-
Repairs/Auto	-	-	-	-	-	-	-	889	-	-
Maintenance/Recycling	15	-	-	-	-	-	-	248	401	15
Maintenance/Facility	545	427	310	-	984	-	390	637	1,544	69
Computer Maintenance/MIS	2,686	8,403	1,186	842	4,011	-	6,216	14,419	20,392	2,089
Maintenance/Relocation	-	7	-	-	-	-	-	116	-	3
Equipment	6,684	40	-	420	8,698	-	1,263	5,043	23,604	-
Equipment /Lease	106	133	15	-	109	-	-	533	-	-
Equipment Rental	166	294	24	8	168	-	28	320	346	3
Equip/Computer Hardware/Software	-	-	-	-	385	-	-	788	1,503	-
Mileage	2,840	2,835	1,085	553	3,554	-	4,801	10,182	8,246	217
Gasoline & Oil	-	-	-	-	11	-	-	-	42	-
Travel/Seminars/Other	28	447	-	-	469	-	372	232	278	-
Office Supplies	715	3,185	682	498	2,011	5	1,725	12,020	17,754	87
Office Furniture	-	-	-	-	-	-	343	306	2,076	-
Medical Supplies	-	210	-	-	-	-	-	528	532	-
Lab Supplies	-	-	-	204	-	-	-	204	205	-
Janitorial Supplies LCHS-BS	698	995	101	32	709	-	51	569	1,420	-
MIS Supplies	-	101	-	401	500	-	812	-	1,254	-
Health Ed Materials	-	-	-	-	-	-	-	-	86	-
Education/Training	96	710	-	18	488	-	1,456	2,348	2,982	-
CME	-	773	-	-	-	-	-	-	-	-
Group Meetings	-	110	-	1	73	-	4	164	156	-
Staff Recruitment	77	676	-	-	389	-	257	636	764	-
Employee Drug Testing	3	171	-	-	185	-	98	456	556	-
Licenses/Permits	41	-	6	-	43	-	-	8	6	-
Publicity/Promotions	-	34	-	1	-	-	22	41	-	2
Patient Incentives	-	-	-	-	-	-	-	-	1,488	-
Food/Client Services	-	456	-	-	-	-	228	228	-	-
Postage	-	-	-	-	-	-	15	497	1,160	-
Printing/Duplicating	690	925	100	28	761	-	(105)	744	839	-
Depreciation/Building	-	206	-	-	-	-	-	1,542	-	-
Adm Indirect	13,271	39,797	7,286	5,625	28,687	1,174	54,722	109,116	152,551	4,223
Total Operating Expenses:	59,366	134,868	15,516	9,503	95,087	14,012	107,609	308,443	547,102	10,707
TOTAL EXPENSES:	\$ 147,525	\$ 399,354	\$ 63,874	\$ 46,594	\$ 285,432	\$ 21,905	\$ 470,512	\$ 1,031,220	\$ 1,557,097	\$ 38,511

GSA 10 PEI Foster Care	GSA 10 MHSA Wrap	MHCS MHSA-SAP	Substance Abuse SAPT	Substance Abuse Drug Medi-Cal	CW Substance Abuse	Substance Abuse AB109	LIHP Mental Health	TOTALS
\$ 63,075	\$ 80,426	\$ 104,125	\$ 52,814	\$ 4,943	\$ 13,694	\$ 40,812	\$ 18,516	\$ 2,583,588
17,203	21,173	24,446	16,043	1,227	4,489	11,278	3,979	\$ 654,266
80,278	101,599	128,571	68,857	6,170	18,183	51,890	22,495	\$ 3,237,854
4,079	9,684	-	-	-	-	-	-	174,885
-	-	-	-	-	-	-	-	116,677
996	480	-	1,938	834	834	-	-	38,527
-	-	-	-	-	-	-	-	4,432
4,500	250	500	-	-	-	-	-	16,960
-	-	-	-	-	-	-	-	4,378
21,303	7,101	-	4,538	2,269	1,382	2,269	-	250,396
-	-	-	-	-	-	-	-	2,574
2,368	794	-	504	252	151	252	-	33,661
-	-	-	38	19	11	19	-	378
191	64	-	-	-	-	-	-	1,601
-	-	-	-	-	-	-	-	173
1,766	615	27	1,042	510	311	519	-	30,128
-	-	-	-	-	-	-	-	704
655	218	-	270	135	81	135	-	9,218
527	178	-	735	368	221	368	-	27,143
-	-	-	-	-	-	-	-	579
-	-	609	582	-	-	4	15	9,108
470	157	-	89	45	27	45	-	7,400
-	-	-	-	-	-	-	-	1,084
-	-	-	14	7	17	-	-	1,354
396	132	-	-	-	-	-	-	4,452
-	-	-	-	-	-	-	-	350
-	-	-	-	-	-	-	-	889
54	31	-	-	-	-	-	-	764
28	9	-	316	79	47	79	-	5,464
4,973	2,248	4,619	2,453	284	505	995	550	76,871
-	-	-	-	-	-	-	-	126
3,188	1,063	-	-	-	1,299	1,299	-	52,601
-	-	-	31	15	9	15	-	966
67	22	-	50	22	14	24	-	1,554
-	-	-	-	-	-	-	-	2,676
756	550	4,119	1,198	275	332	1,071	245	42,857
-	-	-	-	-	-	-	-	53
48	-	93	14	-	-	41	-	2,020
390	464	129	-	307	283	-	-	40,255
-	-	-	-	-	-	-	-	2,725
-	-	-	210	-	-	318	-	1,788
-	-	-	-	-	-	204	-	817
298	70	-	202	101	61	101	-	5,408
-	-	-	-	-	-	500	-	3,568
5	5	-	-	-	-	-	-	96
73	145	202	204	-	-	61	14	8,797
-	-	-	-	-	-	-	-	773
-	-	3	-	-	-	-	-	514
-	63	-	-	77	-	-	77	2,953
-	-	-	-	-	-	-	-	1,532
-	-	-	20	6	4	6	-	140
-	900	24	-	-	-	-	-	100
-	-	-	-	-	-	-	-	2,412
-	-	-	-	-	-	-	-	912
-	30	-	248	100	60	100	-	1,672
-	-	-	-	-	-	-	-	4,520
-	-	-	-	-	-	-	-	1,748
12,083	15,165	19,389	10,419	922	2,732	7,740	3,422	488,324
59,215	40,436	29,714	25,111	6,627	8,361	16,165	4,323	1,492,165
\$ 139,493	\$ 142,035	\$ 158,285	\$ 93,968	\$ 12,797	\$ 26,544	\$ 68,055	\$ 26,818	\$ 4,730,019

CLINICA SIERRA VISTA

Statement of Functional Expenses
Kern County-Other Programs

For the Year Ended March 31, 2014

	SELPA	Black Infant Health	KMC CPSP	TCM SENP	HOPWA Title II	Ryan White Title II	TOTAL
Salaries	\$ 75,863	\$ 51,554	\$ 87,483	\$ 6,217	\$ 28,339	\$ 193,245	\$ 442,701
Fringe Benefits	17,350	21,619	24,785	790	6,732	44,066	115,342
Total Salaries & Benefits	93,213	73,173	112,268	7,007	35,071	237,311	558,043
Contractual/Psychiatrist/Psychologist	-	-	-	-	-	1,290	1,290
Contractual/Outside Lab	-	-	-	-	-	7,027	7,027
Contractual/Other	-	-	-	1,872	-	-	1,872
Consult Out/Legal	493	-	-	-	-	-	493
Audit Expenses	1,000	-	-	-	-	-	1,000
Security	-	-	-	-	10	51	61
HOA Fees	-	-	-	-	236	1,109	1,345
Custodial Services	-	-	-	-	418	2,212	2,630
Courier Service	-	-	-	-	116	126	242
Utilities	21	-	30	-	673	3,318	4,042
Telephone	-	-	-	-	95	490	585
Communication Lines	-	-	-	-	87	419	506
Cell Phones	47	864	-	-	351	1,511	2,773
Insurance	-	-	-	-	121	457	578
Malpractice	-	-	-	-	-	96	96
Auto Insurance	-	-	-	-	165	-	165
Maintenance/Facility	-	-	-	-	24	115	139
Computer Maintenance/MIS	-	-	-	-	1,611	3,869	5,480
Equipment	-	-	-	2,796	-	-	2,796
Equipment Rental	-	-	-	-	14	73	87
Equip/Computer Hardware/Software	-	-	-	624	-	-	624
Mileage	4,575	120	-	-	1,057	3,095	8,847
Gasoline & Oil	22	-	-	-	-	-	22
Travel/Seminars/Other	46	49	-	458	-	-	553
Office Supplies	-	327	-	148	225	3,667	4,367
Office Furniture	-	-	-	-	-	142	142
Janitorial Supplies:LCHC-BS	-	-	-	-	106	538	644
Health Ed Materials	-	-	-	-	-	595	595
Education/Training	159	622	-	96	-	-	877
Staff Recruitment	449	-	-	-	-	-	449
Employee Drug Testing	8	-	-	-	-	133	141
Licenses/Permits	15	-	-	-	-	-	15
Sponsorship	-	-	-	250	-	-	250
Food/Client Services	-	-	-	-	-	6,307	6,307
Printing/Duplicating	8	-	-	-	-	-	8
HOPWA Services/KLL	-	-	-	-	63,185	-	63,185
Title II Services/KLL	-	-	-	-	-	7,123	7,123
Dental Expense Allocation	-	-	-	-	-	30,178	30,178
Depreciation/Transportation	-	-	-	6,723	-	-	6,723
Non/Billable Exp/ Pd Donation	-	-	-	-	22	-	22
Adm Indirect	13,840	6,024	9,532	1,051	2,400	11,743	44,590
Total Operating Expenses:	20,683	8,006	9,562	14,018	70,916	85,684	208,869
TOTAL EXPENSES:	\$ 113,896	\$ 81,179	\$ 121,830	\$ 21,025	\$ 105,967	\$ 322,995	\$ 766,912

CLINICA SIERRA VISTA

Schedule of Expenditures of Federal Awards

For the Year Ended March 31, 2014

<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	\$ 153,451
Health Center Cluster:				
Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, Public Housing Primary Care, and School Based Health Centers)	N/A	93.224	N/A	7,273,238
Affordable Care Act (ACA) Grants for New and Expanded Services under the Health Centers Program	N/A	93.527	N/A	<u>7,473,431</u>
				14,746,669
Affordable Care Act (ACA) Personal Responsibility Education Program	California Department of Public Health	93.092	12-0025	430,284
Temporary Assistance for Needy Families	Kern County Network for Children	93.558	N/A	455,546
Medical Assistance Program	State of California Department of Public Health	93.778	11-10280	27,353
Medical Assistance Program	Kern County Department of Mental Health	93.778	421-2013	570,109

CLINICA SIERRA VISTA

Schedule of Expenditures of Federal Awards
(Continued)
For the Year Ended March 31, 2014

<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>				
Medical Assistance Program	Kern County Department of Mental Health	93.778	421-2013	930,767
Medical Assistance Program	Kern County Department of Mental Health	93.778	332-2013	162,444
Medical Assistance Program	Kern County Department of Public Health	93.778	524-2012	117,633
Medical Assistance Program	Kern County Department of Mental Health	93.778	332-2013	201,072
Medical Assistance Program	Kern County Department of Mental Health	93.778	332-2013	<u>6,389</u>
				2,015,767
Pregnancy Assistance Fund Program	State of California Department of Public Health	93.500	12-10061	3,766
HIV Care Formula Grants	Kern County Department of Public Health	93.917	685-2012	324,785
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	N/A	93.918	N/A	341,291
Block Grants for the Prevention and Treatment of Substance Abuse	Kern County Department of Mental Health	93.959	395-2013	94,573
Affordable Care Act (ACA) Grants for School-Based Health Center Capital Expenditures	N/A	93.501	N/A	267,747

CLINICA SIERRA VISTASchedule of Expenditures of Federal Awards
(Continued)

For the Year Ended March 31, 2014

<u>Program Name</u>	<u>Pass-through Grantor</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Expenditures</u>
Maternal & Child Health Services Block Grant to the States	State of California Department of Health	93.994	12-10061	<u>221,804</u>
Total U.S. Department of Health and Human Services				19,055,683
<u>U.S. Department of Housing and Urban Development</u>				
Continuum of Care Program	N/A	14.267	N/A	1,206
Housing Opportunities for People with AIDS	Kern County Department of Public Health	14.241	770-2013	106,643
Supportive Housing Program	N/A	14.235	N/A	91,983
Supportive Housing Program	N/A	14.235	N/A	<u>318,036</u>
				<u>410,019</u>
Total U.S. Department of Housing and Urban Development				517,868
<u>U.S. Department of Justice</u>				
Crime victim Assistance	State of California Governor's Office of Emergency Services (VOCA)	16.575	AT-13101761	<u>234,591</u>
Total U.S. Department of Justice				234,591
<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	6,575,571
State Administrative Matching Grants for Food Stamp Program	California Department of Health Services	10.561	12-10123	<u>175,328</u>
Total U.S. Department of Agriculture				6,750,899

CLINICA SIERRA VISTASchedule of Expenditures of Federal Awards
(Continued)

For the Year Ended March 31, 2014

<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 Education</u>				
Special Education-Grants for Infants and Families	Kern Regional Center	84.181	PK4506	<u>233,314</u>
Total U.S. Department of Education				233,314
Total Expenditures of Federal Awards				<u>\$ 26,792,355</u>

Notes to Schedule of Expenditures of Federal Awards

Note A – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Clinica Sierra Vista under programs of the federal government for the year ended March 31, 2014. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operation of Clinica Sierra Vista, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Clinica Sierra Vista.

Note B – Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

REPORT TO MANAGEMENT



OSCAR G. ARMIJO
Certified Public Accountant

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INDEPENDENT AUDITOR'S 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, in accordance with the 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, the financial statements of Clinica Sierra Vista, (a nonprofit organization), which comprise of the statement of financial position as of March 31, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 13, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Clinica Sierra Vista's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Clinica Sierra Vista's internal control.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clinica Sierra Vista's financial statements are free from material misstatement, we perform 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, consisting of several fluid, connected strokes.

Palm Desert, California
August 13, 2014



OSCAR G. ARMIJO
Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors
Clinica Sierra Vista
Bakersfield, California

Report on Compliance for Each Major Federal Program

We have audited Clinica Sierra Vista's compliance with the types of compliance requirements described in the *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, 2014. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Clinica Sierra Vista's major federal programs based on our audit of the types of compliance requirements referred to above. 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 an 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Clinica Sierra Vista's compliance.

Opinion on Each Major Federal Program

In our opinion, Clinica Sierra Vista complied, in all material respects, with the types of 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, 2014.

Report on Internal Control Over Compliance

Management of Clinica Sierra Vista is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Clinica Sierra Vista's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 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. A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, appearing to be a stylized name, possibly "J. Smith" or similar, written in a cursive style.

Palm Desert, California
August 13, 2014

CLINICA SIERRA VISTA

Schedule of Findings and Questioned Costs

Year Ended March 31, 2014

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 major programs:

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 & 93.527 U.S. Department of Health and Human Services – Health Center Cluster
93.778 U.S. Department of Health and Human Services – Medical Assistance Program

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

\$803,771

Auditee qualified as low-risk auditee?

X Yes ____ No

Section II – Financial Statements Findings
None

Section III – Federal Award Findings and Questioned Costs
None