

**PUBLIC HEALTH FOUNDATION
ENTERPRISES, INC.
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORTS
SINGLE AUDIT
YEAR ENDED JUNE 30, 2012**

PUBLIC HEALTH FOUNDATION ENTERPRISES, INC.
(A California Non-Profit Corporation)

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HASKELL
&
WHITE_{LLP}

CERTIFIED PUBLIC ACCOUNTANTS
AND BUSINESS ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Public Health Foundation Enterprises, Inc.
(A California Non-Profit Corporation)
City of Industry, California

We have audited the accompanying statement of financial position of Public Health Foundation Enterprises, Inc. ("PHFE") (A California Non-Profit Corporation) as of June 30, 2012 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of PHFE's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PHFE as of June 30, 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.

As discussed in Note 3, the statement of financial position has been restated as of July 1, 2011, to reflect corrections to various accounts and also to reflect proper application of accounting principle for program equipment.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2012 on our consideration of PHFE's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

INDEPENDENT AUDITORS' REPORT (continued)

Our audit was performed for the purpose of forming an opinion on the basic financial statements of PHFE taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the 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 other 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Haskell & White LLP

HASKELL & WHITE LLP

November 16, 2012
Irvine, California

PUBLIC HEALTH FOUNDATION ENTERPRISES, INC.
(A California Non-Profit Corporation)

Statement of Financial Position
June 30, 2012

Assets

Cash and cash equivalents	\$ 6,012,148
Contracts receivable, net allowance for doubtful accounts of \$212,188	13,987,589
Deposits and prepaid expenses	912,082
Property and equipment, net (Note 5)	<u>836,071</u>

Total assets \$ 21,747,890

Liabilities

Accounts payable and accrued expenses	\$ 3,927,108
Accrued payroll and related liabilities (Note 9)	7,386,909
Agency and other funds payable (Note 7)	2,007,857
Advance on grantor payments	1,384,810
Accountability for program equipment	814,601
Deferred rent	297,860
Capital leases obligations	<u>108,749</u>

Total liabilities 15,927,894

Commitments and contingencies (Notes 8, 10, 11 and 12)

Net assets

Unrestricted:	
Undesignated	4,895,743
Board designated - operating reserve	<u>755,932</u>

Total unrestricted net assets 5,651,675

Temporarily restricted net assets 168,321

Total net assets 5,819,996

Total liabilities and net assets \$ 21,747,890

See accompanying auditors' report and notes to financial statements.

PUBLIC HEALTH FOUNDATION ENTERPRISES, INC.
(A California Non-Profit Corporation)

Statement of Activities
For the Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Total
Revenues and gains			
Governmental service contracts	\$ 97,589,595	\$ -	\$ 97,589,595
Private contracts	2,894,038	-	2,894,038
Management fees	7,695,266	-	7,695,266
Administrative fees	557,258	-	557,258
Other income	26,922	-	26,922
Contributions	62,000	228,907	290,907
In-kind revenue	440,083	-	440,083
Restrictions released	605,056	(605,056)	-
	109,870,218	(376,149)	109,494,069
Expenses			
Program services	101,306,510	-	101,306,510
Support services	8,667,150	-	8,667,150
	109,973,660	-	109,973,660
Change in net assets	(103,442)	(376,149)	(479,591)
Net assets, beginning of year (as previously reported)	6,115,120	1,028,982	7,144,102
Correction of errors (Note 3)	(360,003)	(484,512)	(844,515)
Net assets, beginning of the year (as restated)	5,755,117	544,470	6,299,587
Net assets, end of year	\$ 5,651,675	\$ 168,321	\$ 5,819,996

See accompanying auditors' report and notes to financial statements.

PUBLIC HEALTH FOUNDATION ENTERPRISES, INC.
(A California Non-Profit Corporation)

Statement of Functional Expenses
For the Year Ended June 30, 2012

	Program Services	Support Services	Total
Salaries and related expenses:			
Salaries	\$ 53,955,892	\$ 4,237,711	\$ 58,193,603
Payroll taxes	4,566,313	306,676	4,872,989
Employee benefits	9,329,752	676,549	10,006,301
Other expenses:			
Activities and promotions	1,524,582	475	1,525,057
Communications	776,080	161,812	937,892
Conference and meetings	928,937	116,170	1,045,107
Consultants	5,317,998	-	5,317,998
Contracted services	627,299	698,694	1,325,993
Depreciation	348,796	56,022	404,818
Equipment expense	822,149	23,060	845,209
Equipment rental and maintenance	187,224	803,575	990,799
In-kind services	432,585	7,498	440,083
Insurance	49,870	289,328	339,198
Interest expense and bank charges	-	89,356	89,356
Memberships and subscriptions	89,774	66,281	156,055
Office expense	-	229,879	229,879
Postage and shipping	549,936	30,143	580,079
Printing	287,647	-	287,647
Professional fees and other	37,048	42,094	79,142
Rent	5,743,535	710,765	6,454,300
Subcontractors	9,172,934	-	9,172,934
Supplies	4,445,696	-	4,445,696
Travel	2,112,463	121,062	2,233,525
	\$ 101,306,510	\$ 8,667,150	\$ 109,973,660

See accompanying auditors' report and notes to financial statements.

PUBLIC HEALTH FOUNDATION ENTERPRISES, INC.
(A California Non-Profit Corporation)

Statement of Cash Flows
For the Year Ended June 30, 2012

Cash flows from operating activities	
Change in net assets	\$ (479,591)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	404,818
Amortization of accountability for program equipment	(348,796)
Disposition of program equipment	245,702
(Increase) decrease in:	
Contracts receivable, net	3,909,138
Deposits and prepaid expenses	(661,160)
Accounts payable and accrued expenses	(1,160,090)
Accrued payroll and related liabilities	(2,344,718)
Agency and other funds payable	1,817,603
Advance on grantor payments	(2,599,376)
Accountability for program equipment	238,976
Deferred rent	14,962
	<hr/>
Net cash used in operating activities	(962,532)
Cash flows from investing activities	
Payments related to the acquisition of fixed assets	<hr/> (484,678)
Net cash used in investing activities	<hr/> (484,678)
Cash flows from financing activities	
Principal repayments related to capital leases	<hr/> (260,586)
Net cash used in financing activities	<hr/> (260,586)
Net decrease in cash and cash equivalents	(1,707,796)
Cash and cash equivalents, beginning of year	<hr/> 7,719,944
Cash and cash equivalents, end of year	<hr/> <hr/> \$ 6,012,148

See accompanying auditors' report and notes to financial statements.

PUBLIC HEALTH FOUNDATION ENTERPRISES, INC.
(A California Non-Profit Corporation)

Notes to Financial Statements
For the Year Ended June 30, 2012

1. Organization

Public Health Foundation Enterprises, Inc. (“PHFE” or the “Organization”) is a California Non-Profit Corporation established on August 6, 1968. PHFE’s mission is to enable public health programs to improve the health and well-being of our communities, through providing fiscal sponsorship and related services to government, private and community based public health programs and activities.

Substantially all of PHFE’s revenue is received from annually renewable governmental service contracts, private grantors and foundations located in California.

2. Summary of Significant Accounting Policies

PHFE prepares its financial statements using the accrual basis of accounting, in accordance with generally accepted accounting principles (“GAAP”) promulgated in the United States of America for Not-for-Profit Entities.

Financial Statement Presentation

PHFE recognizes contributions, including unconditional promises to give, as revenue in the period received. Classification of net assets, revenue, gains and losses are based on the existence or absence of donor-imposed restrictions.

The financial statements report net assets and changes in net assets in three classes that are based upon the existence or absence of restrictions on uses that are placed by its donors, as follows:

- *Unrestricted Net Assets* – Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents, its application for tax-exempt status and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. Board-designated accounts are unrestricted but are set aside by the board for certain purposes. PHFE’s board-designated funds are set aside for certain operating expenses. During the year ended June 30, 2012, the Organization used \$310,938 of the board-designated account for costs related to an operating lease of office furniture and fixtures.

PUBLIC HEALTH FOUNDATION ENTERPRISES, INC.
(A California Non-Profit Corporation)

Notes to Financial Statements (continued)
For the Year Ended June 30, 2012

2. Summary of Significant Accounting Policies (continued)

Financial Statement Presentation (continued)

- *Temporarily Restricted Net Asset* – Net assets subject to restrictions by a donor or by law for use for a particular purpose or in a particular future period. When a donor’s restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets. Net assets restricted for acquisition or contribution of buildings or equipment are reported as temporarily restricted until the specified asset is placed in service by PHFE, unless the donor provides more specific directions about the period of its use. Donor-restricted contributions received and expended in the same reporting period are recorded as unrestricted support.
- *Permanently restricted net assets* – Net assets whose use by PHFE are limited by donor-imposed restrictions that neither expire by being used in accordance with a donor’s restriction nor by the passage of time. The Organization has no permanently restricted net assets.

All revenues and net gains are reported as increases in unrestricted net assets in the statement of activities unless the use of the related resources are subject to temporary or permanent donor restrictions. All expenses and net losses are reported as decreases in unrestricted net assets.

Cash and Cash Equivalents

Cash and cash equivalents include all cash balances and highly liquid investments with an initial maturity of three months or less. The Company places its temporary cash investments with high credit quality financial institutions. At times such cash and cash equivalents may be in excess of the Federal Deposit Insurance Corporation (“FDIC”) insurance limit of \$250,000.

PUBLIC HEALTH FOUNDATION ENTERPRISES, INC.
(A California Non-Profit Corporation)

Notes to Financial Statements (continued)
For the Year Ended June 30, 2012

2. Summary of Significant Accounting Policies (continued)

Contracts Receivable

Contracts receivable consist of expenses incurred by the Organization in connection with the federal government, state and local governments and unconditional private enterprise awards for which individual applicable award agreements stipulate payment to the Organization on a reimbursement basis. The payment of such receivables generally occurs within one year from which expenses are incurred. The allowance for doubtful accounts is an estimate calculated by PHFE's management based on grant and contract specific reserves, if any, and the age of overall grants and contracts receivable. Once a grant or contract receivable is deemed uncollectible, it is written off against the allowance for doubtful accounts.

Property and Equipment

Property and equipment are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. Property and equipment is capitalized if it has a cost of \$5,000 or more and a useful life when acquired of more than one year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Automobile	5 years
Computer equipment	3 years
Furniture and equipment	5 years
Leasehold improvements	5 years

PHFE records capital leases at the lesser of the minimum lease payments or the fair market value of the equipment at the inception of the lease agreement. Depreciation expense includes the depreciation of assets under capital leases.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to future net cash flows, undiscounted and without interest, expected to be generated by the asset. If an asset is determined to be impaired, impairment expense to be recognized is measured as the amount by which the carrying value of the asset exceeds its fair value. No impairment losses were recognized in the financial statements for the year ended June 30, 2012.

PUBLIC HEALTH FOUNDATION ENTERPRISES, INC.
(A California Non-Profit Corporation)

Notes to Financial Statements (continued)
For the Year Ended June 30, 2012

2. Summary of Significant Accounting Policies (continued)

Program Equipment (continued)

Equipment purchased for grantors is the property of the grantor and is capitalized, at cost. PHFE also records a corresponding accountability for program equipment liability at the time of purchase. Depreciation of program equipment is computed using the straight-line method over the life of the contract and recorded to depreciation expense, with a corresponding amortization of the liability to contract revenue. Upon contract termination, equipment is returned to the grantor and the book value of all asset and liabilities are removed. During the year ended June 30, 2012, PHFE recorded \$348,796 in depreciation of program equipment and a corresponding amount to contract revenue as amortization of the accountability for program equipment liability.

Advance on grantor payments

Advance on grantor payments consist of federal government, state and local governments and conditional private enterprise award amounts received in advance of the incurrence of corresponding individual award expenses in accordance with applicable award agreements. Such liabilities are generally short-term in nature, whereby advanced funds are most commonly not received more than one year ahead of the incurrence of related expenses.

Accrued compensated absences

Compensated absences are accrued on a monthly basis. All such accrued benefits continually roll over from year to year and there is no limit on benefits that can be accrued for headquarter employees. All program employees can accrue up to 1.75 years of benefits. Full-time employees accrue vacation time based upon years of service to PHFE as follows:

<u>Years Employed</u>	<u>Annualized Accrual</u>
1 – 4 years	10 days
5 – 9 years	15 days
10 – 14 years	20 days
15 - 10 years	25 days
20 + years	30 days

Total accrued compensated absences at June 30, 2012, was \$4,170,877. Such benefits will be paid out at the time of termination if not used.

PUBLIC HEALTH FOUNDATION ENTERPRISES, INC.
(A California Non-Profit Corporation)

Notes to Financial Statements (continued)
For the Year Ended June 30, 2012

2. Summary of Significant Accounting Policies (continued)

Government and Private Contract Revenue

Government and private contract revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts or when a unit of service is provided for performance grants. Government revenue from federal agencies is subject to independent audit under the Office of Management and Budget Circular A-133 and review by grantor agencies. The review could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, PHFE's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of PHFE.

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in unrestricted net assets unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in either temporarily restricted or permanently restricted net assets, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore, are reported as temporarily restricted until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year or is received with permanent restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Contributed Goods and Services

Contributions of goods received that are measurable are recorded as revenue at their estimated fair value when received. Contributions of services are recognized if the services received either i) create or enhance nonfinancial assets or ii) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

PUBLIC HEALTH FOUNDATION ENTERPRISES, INC.
(A California Non-Profit Corporation)

Notes to Financial Statements (continued)
For the Year Ended June 30, 2012

2. Summary of Significant Accounting Policies (continued)

Expense Recognition and Allocation

The cost of providing PHFE's programs and other activities are summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the function benefited based on estimates made by PHFE's management.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. As of June 30, 2012, PHFE did not incur any significant fundraising expenses.

Income Taxes

PHFE is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and California income taxes under section 23701(d) of the California Revenue and Taxation Code. PHFE is required to pay an annual filing fee to the State of California and other states in which it operates.

PHFE evaluates uncertainty in income taxes for tax positions taken or expected to be taken in the course of preparing the Organization's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold are required to be recorded as a tax benefit or expense in the current year. Additionally, this interpretation provides guidance on de-recognition, classification, interest and penalties, disclosure and transition. PHFE had no uncertain tax positions that were not considered more-likely-than-not of being sustained by applicable tax authorities as of June 30, 2012.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, PHFE's management evaluates the estimates and assumptions based upon historical experience and various other facts and circumstances. PHFE's management believes that the estimates and assumptions are reasonable; however, the actual results could differ from those estimates.

PUBLIC HEALTH FOUNDATION ENTERPRISES, INC.
(A California Non-Profit Corporation)

Notes to Financial Statements (continued)
For the Year Ended June 30, 2012

2. Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements

Management has reviewed the relevant new accounting pronouncements and determined that they have no material effect on the financial statements for the year ended June 30, 2012.

Subsequent Events

PHFE's management evaluated subsequent events through November 16, 2012, the date the financial statements were issued, and noted no material events which required additional disclosure in the financial statements.

3. Correction of Errors

Misapplication of Accounting Principle for Program Equipment

During the year ended June 30, 2012, PHFE misapplied GAAP related to its accounting for program equipment, for assets which are required to be returned to the funding agency at the end of the contract period. The method used in fiscal years ending June 30, 2010 and 2011 resulted in the following errors:

- Overstatement of contract revenue, offset by an overstatement of program expenses, when the expense was incurred and amounts were billed;
- Overstatement of the accountability for program equipment liability throughout the life of the contract;
- Overstatement of contribution revenue when the assets were returned to the funding agency.

PHFE has restated net assets as of July 1, 2011 to increase unrestricted net assets by \$1,376,317, for this change.

Corrections Resulting from Improper Accounting

The Organization's financial statements ending as of June 30, 2011, contained several errors in conforming to GAAP. PHFE has restated net assets as of July 1, 2011 to decrease unrestricted net assets by \$1,736,320 and decrease temporarily restricted net assets by \$484,512 for these errors. The net effect of both the misapplication of an accounting principle noted above and the corrections resulting from improper accounting resulted in a decrease in net assets of \$844,515. The following table summarizes the errors and the net effect on the beginning net assets:

PUBLIC HEALTH FOUNDATION ENTERPRISES, INC.
(A California Non-Profit Corporation)

Notes to Financial Statements (continued)
For the Year Ended June 30, 2012

3. Correction of Errors (continued)

Reconciliation of Restatement

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Improper classification of private contract revenue as restricted contributions	\$ -	\$ (484,512)	\$ (484,512)
Under-accrual of vacation and PTO liabilities	(3,421,566)	-	(3,421,566)
Over-accrual of compensated absences	501,365	-	501,365
Over-accrual of state unemployment liabilities	1,443,007	-	1,443,007
Misstatement of rent expense and deferred rent liabilities	(282,898)	-	(282,898)
Misstatement of capital lease liabilities and related costs	23,772	-	23,772
Total corrections resulting from improper accounting	(1,736,320)	(484,512)	(2,220,832)
Misstatement resulting from misapplication of accounting principle for program equipment	1,376,317	-	1,376,317
Total correction of errors	<u>\$ (360,003)</u>	<u>\$ (484,512)</u>	<u>\$ (844,515)</u>

4. Fair Value Measurements

PHFE reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

- *Level 1* – Quoted prices for identical assets or liabilities in active markets to which the Organization has access at the measurement date.
- *Level 2* – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets in markets that are not active;
 - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
 - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

PUBLIC HEALTH FOUNDATION ENTERPRISES, INC.
(A California Non-Profit Corporation)

Notes to Financial Statements (continued)
For the Year Ended June 30, 2012

4. Fair Value Measurements (continued)

- *Level 3* – Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

As of June 30, 2012, the Organization held no investments that were required to be valued using the above fair value measurements. The carrying amounts of cash and cash equivalents, accounts receivable and liabilities approximate fair value because of the terms and relatively short maturity of these financial instruments.

5. Property and Equipment

The balance at June 30, 2012 consists of the following:

Fixed assets	315,880
Program equipment	1,956,734
	<hr/> 2,272,614
Less: accumulated depreciation	(1,436,543)
	<hr/>
Property and equipment net	<u>\$ 836,071</u>

Depreciation expense for the year ended June 30, 2012 was \$404,818.

6. Capital Lease Obligations

PHFE acquired furniture and equipment under a long-term capital lease expiring November 2012. As of June 30, 2012, the assets have a \$0 carrying value. The future minimum lease payments under these capital leases at June 30, 2012 are \$108,749 in 2012, which includes \$1,761 of interest payments.

7. Agency Funds Payable

PHFE administers agency fund agreements and fee for service agreements, classified as unrestricted cash and liability for agency funds, for a percentage of the funds managed by the Organization. During the year ended June 30, 2012, PHFE earned \$118,726 in agency and fees for services, which have been classified as unrestricted revenue on the accompanying statement of activities.

PUBLIC HEALTH FOUNDATION ENTERPRISES, INC.
(A California Non-Profit Corporation)

Notes to Financial Statements (continued)
For the Year Ended June 30, 2012

8. Commitments and Contingencies

Costs reported under government grants and contracts are subject to disallowance and possible refunds upon final audit determination by such funding agencies.

On July 23, 2004, PHFE entered a workers' compensation claim reinsurance agreement which is partially collateralized by a \$686,440 Standby Letter of Credit. On September 15, 2005, an amendment to the letter of credit increased it by \$375,321 for a total of \$1,061,761, and on December 8, 2011, an amendment to the letter of credit decreased it by \$100,000 for a total of \$961,761. Each succeeding year this Standby Letter of Credit has been reissued on the same terms and conditions as the one issued on July 23, 2004.

During the year ended June 30, 2012, PHFE renewed a loan agreement with a bank which provides for a \$5,000,000 line of credit which expires April 20, 2013. The agreement required the Organization to have at least a \$1 increase in unrestricted net assets on an annual basis, measured at the end of each fiscal year, of which PHFE was not in compliance at June 30, 2012. Management is in negotiations with the lender to obtain a waiver of this covenant. PHFE is not in violation of any other covenants. Advances are collateralized by personal property of PHFE and bear interest at prime plus 1% or the LIBOR rate plus 2.75%. There were no amounts advanced pursuant to the agreement as of June 30, 2012.

9. Payroll Related Liabilities

The balance of payroll related liabilities at June 30, 2012 consists of accrued salaries and wages and voluntary and employer fringe benefits including pension contributions, accrued compensated absences, accrued workers' compensation expense and accrued unemployment benefits. As of June 30, 2012, salaries and wages were \$1,600,397, accrued compensated absences were \$4,170,877 and accrued taxes and other fringe benefits were \$680,502.

PHFE holds a retroactive insurance policy for workers compensation claims for the years 2005 through 2010. Under this policy, the Organization accrues costs based on the value of current claims relating to these years and an estimate of the claims incurred but not reported. Management has estimated this liability as of June 30, 2012 to be \$340,000. All claims related to years 2011 and subsequent, are insured under a traditional policy in which the Organization pays annual premiums for full coverage of all claims.

On April 1, 1977, PHFE elected the reimbursable method of financing under the California Unemployment Insurance Code. Under this method, the liability for unemployment insurance premiums are paid to the state of California (the "State") based on actual payments made to former employees by the State. Accordingly, PHFE retains liability for unemployment insurance benefits of terminated employees. The estimated liability as of June 30, 2012 was \$595,133.

PUBLIC HEALTH FOUNDATION ENTERPRISES, INC.
(A California Non-Profit Corporation)

Notes to Financial Statements (continued)
For the Year Ended June 30, 2012

10. Operating Lease Commitments

Facilities Leases

PHFE has an operating lease agreement to lease its headquarters at 12801 Crossroads Parkway South, Suite 200, City of Industry, California, at a current rent expense of \$43,854 per month, which expires in June 2019. In addition, PHFE maintains satellite offices in Orange County and Washington D.C. Facilities are also leased for various program operations. The Organization recorded rent expense on a straight-line basis, where lease commitments require escalating rent payments over the life of the lease. Total rent expense related to facility leases was \$4,477,144 for the year ended June 30, 2012. The approximate minimum future annual rental payments, under all facility leases as of June 30, 2012 is:

<u>Year End</u>	<u>Amount</u>
2013	\$ 4,552,495
2014	3,332,931
2015	2,474,042
2016	1,609,761
2017	879,577
Thereafter	<u>1,193,662</u>
	<u>\$ 14,042,468</u>

Equipment Leases and Maintenance Commitments

PHFE leases office equipment and has maintenance contracts under several operating leases with terms expiring at various dates through 2018. Total rent expense related to equipment leases and maintenance commitments was \$1,977,156 for the year ended June 30, 2012. The approximate minimum future annual commitments, under all equipment leases and maintenance contracts, as of June 30, 2012 are as follows:

<u>Year End</u>	<u>Amount</u>
2013	\$ 689,777
2014	112,271
2015	78,448
2016	11,065
2017	2,835
Thereafter	<u>464</u>
	<u>\$ 894,860</u>

PUBLIC HEALTH FOUNDATION ENTERPRISES, INC.
(A California Non-Profit Corporation)

Notes to Financial Statements (continued)
For the Year Ended June 30, 2012

11. Retirement Plan

PHFE has provided a contributory qualified pre-tax retirement plan covering salaried employees with extended benefits working at least 50% time and hourly employees working at least 20 hours per week with extended benefits. Employer contributions to the plan vary from 5% to 8% of applicable compensation depending upon employee classification and was \$3,504,714 for the year ended June 30, 2012.

12. Concentration Risk

The majority of PHFE's grants and contributions are received from Federal and state agencies, corporations, foundations and individuals located in the greater Los Angeles metropolitan area. As such, PHFE's ability to generate resources via contributions and grants is dependent upon the economic health of that area and of the State. An economic downturn could cause a decrease in contributions and grants that coincides with an increase in demand for PHFE's services. As of June 30, 2012, 83% of PHFE's revenue and 86% of their contracts receivable was related to Federal government contracts.

**GOVERNMENT AUDIT
INFORMATION SECTION**

Independent Auditors' 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*

The Board of Directors
Public Health Foundation Enterprises, Inc.
(A California Non-Profit Corporation)
City of Industry, California

We have audited the financial statements of Public Health Foundation Enterprises, Inc. ("PHFE") as of and for the year ended June 30, 2012, and have issued our report thereon dated November 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

The management of PHFE is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered PHFE'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 PHFE's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of PHFE's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over financial reporting 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. We consider the deficiencies in PHFE's internal control over financial reporting described in the accompanying schedule of findings and questioned costs as items FS-2012-01 through FS-2012-03 to be material weaknesses.

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* (continued)

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items FS-2012-04 and FS-2012-05 to be significant deficiencies.

Management's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit management's responses and accordingly, we express no opinion on them.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether PHFE'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 such 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, management, board of directors, others within the entity, and its 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.

Haskell & White LLP

HASKELL & WHITE LLP

November 16, 2012
Irvine, California

**Independent Auditors' 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**

The Board of Directors
Public Health Foundation Enterprises, Inc.
(A California Non-Profit Corporation)
City of Industry, California

Compliance

We have audited the compliance of Public Health Foundation Enterprises, Inc. ("PHFE") with the types of compliance requirements described in the United States of America Office of Management and Budget ("OMB") *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. PHFE'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 PHFE's management. Our responsibility is to express an opinion on PHFE's compliance based on our audit.

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

In our opinion, PHFE 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 June 30, 2012.

**Independent Auditors' 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 (continued)**

Internal Control over Compliance

The management of PHFE 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 PHFE'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 our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of PHFE's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the entity's 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 the audit committee, management, board of directors, others within the entity, and its 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.

Haskell & White LLP
HASKELL & WHITE LLP

November 16, 2012
Irvine, California

PUBLIC HEALTH FOUNDATION ENTERPRISES, INC.
(California Not-for-Profit Corporation)
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

Federal Grantor/Program or Cluster Title	Direct or Pass Through	Name of Pass Through Agency	Catalog of Federal Domestic Assistance (CFDA) Number	Contract Number	Federal Expenditures
U.S. Department of Agriculture					
<u>Food & Nutrition Service</u>					
Women Infant & Children	Pass Through	State of California-DPH	10.557	0885459	\$ 14,388,498
Web Based Breast Feeding	Pass Through	State of Washington/Seattle & King County	10.557	2011211	20,500
Women Infant & Children	Pass Through	State of California-DPH	10.557	1110484	34,794,581
CHC Network Program	Pass Through	State of California-DPH/Camino Health Center	10.557	None	12,939
Sub-total CFDA No. 10.557 - Special Supplemental Nutrition Program for Wome, Infants, and Children (WIC Program)					<u>49,216,518</u>
Angels Childcare Food Pro	Pass Through	State of Ca-Dept of Education	10.558	193045OF	1,149,898
Angels Childcare Food Pro	Pass Through	State of Ca-Dept of Education	10.558	193045OF	3,304,814
Sub-total CFDA No. 10.558 - Child and Adult Care Food Program					<u>4,454,712</u>
Network for a Healthy CA	Pass Through	State of California-DPH/County of Los Angeles	10.561	PH000564	193,916
PHI - Consultant	Pass Through	State of California-DPH/Public Health Institute	10.561	1017019	44,894
Network for a Healthy CA	Pass Through	State of California-DPH/County of Los Angeles	10.561	PH000564	935,013
Sub-total CFDA No. 10.561 - State Admin Matching Grants for the Supplemental Nutrition Assistance Program					<u>1,173,823</u>
Total U.S. Department of Agriculture					<u>54,845,053</u>
U.S. Department of Housing and Urban Development					
<u>Office of Community Planning & Development</u>					
Syringe Exchange Program	Pass Through	City of LA- Dept of Disability	14.218	C119065	82,050
Clean Needles Now	Pass Through	City of LA- Dept of Disability	14.218	C119065	23,746
Sub-total CFDA No. 14.218 - Community Development Block Grants/Entitlement Grants					<u>105,796</u>
Total U.S. Department of Housing and Urban Development					<u>105,796</u>
U.S. Department of Justice					
<u>Office of Juvenile Justice & Delinquency Prevention</u>					
East Hollywood Gang Inter	Direct	DOJ-Off of Juv Just & Del Prev	16.541	2010JLFX0576	76,766
Sub-total CFDA No. 16.541 - Part E-Developing, Testing, Demonstrating Promising New Programs					<u>76,766</u>
Total U.S. Department of Justice					<u>76,766</u>
U.S. Department of Education					
<u>Office of Special Education and Rehabilitative Services</u>					
Family Resource Center	Pass Through	State of California-DDS	84.181	HD099045	1,047
Family Resource Center	Pass Through	State of California-DDS	84.181	HD099045	98,863
Carolyn Kordich FRC	Pass Through	State of California-DDS	84.181	HD099044	31,904
Sub-total CFDA No. 84.181 - Special Education-Grants for Infants and Families					<u>131,814</u>
Belmont Full Service Comm	Pass Through	Youth Policy Institute	84.215	None	2,627
Sub-total CFDA No. 84.215 - Fund for the Improvement of Education					<u>2,627</u>
Total U.S. Department of Education					<u>134,441</u>

See accompanying notes to schedule of expenditures of federal awards and 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

PUBLIC HEALTH FOUNDATION ENTERPRISES, INC.
(California Not-for-Profit Corporation)
Schedule of Expenditures of Federal Awards (continued)
Year Ended June 30, 2012

Federal Grantor/Program or Cluster Title	Direct or Pass Through	Name of Pass Through Agency	Catalog of Federal Domestic Assistance (CFDA) Number	Contract Number	Federal Expenditures
RESEARCH CLUSTER:					
<u>U.S. Department of Agriculture</u>					
<u>Food & Nutrition Service</u>					
Infant Toddler Feeding	Pass Through	Westat	93.RD	AG3198S110009	1,384
WIC Infant Toddler Study2	Pass Through	Westat/Altarum Institute	93.RD	SC11027	29,183
Sub-total CFDA No. 93.RD - Research contract					30,567
Total U.S. Department of Agriculture					30,567
<u>U.S. Department of Health and Human Services</u>					
<u>National Institute of Health</u>					
Longitudinal Research	Direct	DHHS-NIH	93.242	1R01MH09559801	224,400
EPIC Enhancing PrEP	Direct	DHHS-NIH	93.242	1R01MH09562801	164,423
SHARP Research Program	Direct	DHHS-NIH	93.242	1R25MH09759101	11,627
Longitudinal Research	Direct	DHHS-NIH	93.242	5R01MH09559802	14,514
<u>National Institute of Health</u>					
International Mobility	Pass Through	SFDPH	93.242	DPHC11000768	1,394
Center for AIDS Preventio	Pass Through	Regents Univ of CA- San Fran	93.242	6602sc	10,426
STT Finding Testing Treat	Pass Through	RTI International	93.242	13120212795	335,853
International Mobility	Pass Through	SFDPH	93.242	DPHC12000951	28,867
Center for AIDS Preventio	Pass Through	Regents Univ of CA- San Fran	93.242	6980sc	1,778
Sub-total CFDA No. 93.242 - Mental Health Research Grants					793,282
<u>National Institute of Health</u>					
Naltrexone	Direct	DHHS-NIH	93.279	1R01DA03167801	179,718
Aripiprazole to Reduce	Direct	DHHS-NIH	93.279	5R01DA02338703	261,233
Naltrexone	Direct	DHHS-NIH	93.279	1R01DA03167801	68,520
<u>National Institute of Health</u>					
Clinical Trials Network	Pass Through	Regents Univ of CA- San Fran	93.279	6419sc	174,994
International Feasibility	Pass Through	RTI International	93.279	23120212047	3,040
NMPD Use Among IDUs	Pass Through	RTI International	93.279	13120212940	92,578
Clinical Trials Network	Pass Through	Regents Univ of CA- San Fran	93.279	6419sc	379,349
Exploratory Research Drug	Pass Through	RTI International	93.279	13120212890	49,589
NMPD Use Among IDUs	Pass Through	RTI International	93.279	13120212940	34,516
Sub-total CFDA No. 93.279 - Drug Abuse and Addiction Research Programs					1,243,537

See accompanying notes to schedule of expenditures of federal awards and 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

PUBLIC HEALTH FOUNDATION ENTERPRISES, INC.
(California Not-for-Profit Corporation)
Schedule of Expenditures of Federal Awards (continued)
Year Ended June 30, 2012

Federal Grantor/Program or Cluster Title	Direct or Pass Through	Name of Pass Through Agency	Catalog of Federal Domestic Assistance (CFDA) Number	Contract Number	Federal Expenditures
<u>National Institute of Health</u>					
SF Vaccine S2	Direct	DHHS-NIH	93.701	3U01AI06949603S2	236,694
<u>National Institute of Health</u>					
OCACHR - PS91 ARRA	Pass Through	Regents Univ of CA-Irvine/Child & Fam Comm of OC	93.701	PS91	17,721
ATN 093/UCSF	Pass Through	Univ of Alabama/Westat/Regents Univ of CA-San Fran	93.701	6023SC	6,007
ARRA Immunopathogenesis	Pass Through	Massachusetts Eye & Ear	93.701	39968	60,189
ATN 093/UCSF	Pass Through	Univ of Alabama/Westat/Regents Univ of CA-San Fran	93.701	6023SC	5,621
AWARE	Pass Through	University of Miami	93.701	66623K	398,277
OCACHR - PS91 ARRA	Pass Through	Regents Univ of CA-Irvine/Child & Fam Comm of OC	93.701	PS91	118,889
Clinical & Transitional	Pass Through	Regents Univ of CA- San Fran	93.701	5739SC	140,936
Sub-total CFDA No. 93.701 - Trans-NIH Recovery Act Research Support					984,334
<u>National Institute of Health</u>					
Prevention Umbrella for M	Direct	DHHS-NIH	93.855	5R01AI08306002	2,564
SF Vaccine and Prevention	Direct	DHHS-NIH	93.855	5U01AI06949605	136,417
Prevention Umbrella for M	Direct	DHHS-NIH	93.855	5R01AI08306003	901,489
SF Vaccine and Prevention	Direct	DHHS-NIH	93.855	5UM1AI06949606	762,077
Prevention Umbrella for M	Direct	DHHS-NIH	93.855	5R01AI08306004	72,760
<u>National Institute of Health</u>					
Rapid Tests for Drug Resi	Pass Through	Regents Univ of CA-San Diego	93.855	5U01AI08222902	34,324
HPTN Scholars Program	Pass Through	Family Health International	93.855	00800061	5,665
MRCE for Biodefense & EID	Pass Through	University of Washington	93.855	WU11253	19,433
HVTN-Leadership Group	Pass Through	Fred Hutchinson Cancer Res Ctr	93.855	716042	62,106
Online Collaborative HVTN	Pass Through	Fred Hutchinson Cancer Res Ctr	93.855	716043	23,448
USA HIV Vaccine Trials	Pass Through	Fred Hutchinson Cancer Res Ctr	93.855	716833	318,909
HVTN 505	Pass Through	Fred Hutchinson Cancer Res Ctr	93.855	719047	675,466
PREPARE	Pass Through	Family Health International	93.855	00800154933	2,576,617
CARS The GW University	Pass Through	The George Washington University	93.855	11M74	8,985
HVTN PIF 2	Pass Through	Fred Hutchinson Cancer Res Ctr	93.855	0000658015	38,665
CARS-UCSF	Pass Through	Regents Univ of CA- San Fran	93.855	Charlebois PHF Esc	10,390
Rapid Tests for Drug Resi	Pass Through	Regents Univ of CA-San Diego	93.855	10305960004	59,777
PREPARE	Pass Through	Family Health International	93.855	00800154933	178,349
Nucleophilic Antibodies	Pass Through	University of Texas	93.855	5R01AI06702004	40,078
MRCE for Biodefense & EID	Pass Through	University of Washington	93.855	WU12265	14,218
HVTN-Leadership Group	Pass Through	Fred Hutchinson Cancer Res Ctr	93.855	Pending	5,499
Online Collaborative HVTN	Pass Through	Fred Hutchinson Cancer Res Ctr	93.855	Pending	3,813
USA HIV Vaccine Trials	Pass Through	Fred Hutchinson Cancer Res Ctr	93.855	Pending	17,966
HVTN 505	Pass Through	Fred Hutchinson Cancer Res Ctr	93.855	Pending	19,722
Sub-total CFDA No. 93.855 - Allergy, Immunology and Transplantation Research					5,988,737

See accompanying notes to schedule of expenditures of federal awards and 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

PUBLIC HEALTH FOUNDATION ENTERPRISES, INC.
(California Not-for-Profit Corporation)
Schedule of Expenditures of Federal Awards (continued)
Year Ended June 30, 2012

Federal Grantor/Program or Cluster Title	Direct or Pass Through	Name of Pass Through Agency	Catalog of Federal Domestic Assistance (CFDA) Number	Contract Number	Federal Expenditures
<u>National Institute of Health</u>					
PREPARE	Pass Through	Gladstone	93.856	R2132I	837,334
GP 120 HIV Vaccines	Pass Through	University of Texas	93.856	5R01A105886504	5,532
Sub-total CFDA No. 93.856 - Microbiology & Infectious Diseases Research					842,866
RTI/Yo Puedo	Pass Through	RTI Intemational	93.865	13120212729	11,268
RTI/Yo Puedo	Pass Through	RTI Intemational	93.865	13120212729	70,258
Sub-total CFDA No. 93.865 - Child Health and Human Development Extramural Research					81,526
Home Screening for BV	Pass Through	University of Alabama	93.RD	None	124,161
GC Dual	Pass Through	University of Alabama	93.RD	None	41,921
Sub-total CFDA No. 93.RD - Research contract					166,082
<u>Center for Disease Control</u>					
Reducing Sexual Risk	Direct	DHHS-CDC	93.941	5UR6PS00068404	99,306
Reducing Sexual Risk	Direct	DHHS-CDC	93.941	5UR6PS00068405	266,042
<u>Center for Disease Control</u>					
STD Awareness Prevention	Pass Through	State of California-DPH	93.941	0911190	2,059
EPS Project	Pass Through	County of Los Angeles-DPH	93.941	PH001416	27,863
EPS Project	Pass Through	County of Los Angeles-DPH	93.941	PH001416	2,905
CA STD HIV Prevention Ctr	Pass Through	Regents Univ of CA- San Fran	93.941	6771sc	24,947
CA STD HIV Prevention Ctr	Pass Through	Regents Univ of CA- San Fran	93.941	6776sc	4,322
EPS Project	Pass Through	County of Los Angeles-DPH	93.941	PH001416	556
EPS Project	Pass Through	County of Los Angeles-DPH	93.941	PH001416	6,607
CA STD HIV Prevention Ctr	Pass Through	Regents Univ of CA- San Fran	93.941	6771sc	29,335
EPS Project	Pass Through	County of Los Angeles-DPH	93.941	PH001416	3,147
CA STD HIV Prevention Ctr	Pass Through	Regents Univ of CA- San Fran	93.941	6776sc	2,715
Sub-total CFDA No. 93.941 - HIV Demonstration, Research, Public and Professional Education Projects					469,804
<u>Center for Disease Control</u>					
Expanded HIV Testing Init	Pass Through	SFDPH	93.943	DPHC11001001	5,939
Expanded Testing 2010	Pass Through	SFDPH	93.943	DPHC11001031	33,366
Evaluation & Data Mgmt	Pass Through	SFDPH	93.943	DPHC1100055808	106,217
Expanded HIV Testing Init	Pass Through	SFDPH	93.943	DPHC11001001	62,671
Expanded Testing 2011	Pass Through	SFDPH	93.943	DPHC11001031	180,269
Evaluation & Data STOP	Pass Through	SFDPH	93.943	DPHC1100055811	1,453
Sub-total CFDA No. 93.943 - Epidemiologic Research Studies of AIDS and HIV Infection in Selected Population Groups					389,915

See accompanying notes to schedule of expenditures of federal awards and 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

PUBLIC HEALTH FOUNDATION ENTERPRISES, INC.
(California Not-for-Profit Corporation)
Schedule of Expenditures of Federal Awards (continued)
Year Ended June 30, 2012

Federal Grantor/Program or Cluster Title	Direct or Pass Through	Name of Pass Through Agency	Catalog of Federal Domestic Assistance (CFDA) Number	Contract Number	Federal Expenditures
<u>Office of Population Affairs</u>					
In Touch	Direct	DHHS-Office of Population Affairs	93.974	6FPRPA0060460202	79,917
In Touch	Direct	DHHS-Office of Population Affairs	93.974	6FPRPA0060460301	114,428
Sub-total CFDA No. 93.974 - Family Planning Service Delivery Improvement Research Grants					194,345
<u>Center for Disease Control</u>					
STD Awareness Prevention	Pass Through	State of California-DPH	93.978	0911190	8,918
Sub-total CFDA No. 93.978 - Preventive Health Services Sexually Transmitted Diseases Research, Demonstrations & Public Education Grants					8,918
Seroconverter Specimen	Pass Through	SeraCare Life Science, Inc.	93.RD	200201037066	15,858
Sub-total CFDA No. 93.RD - Research contract					15,858
Total U.S. Department of Health and Human Services					11,179,204
<u>U.S. Department of the Treasury</u>					
<u>Internal Revenue Service</u>					
Discovery of IDAVI	Pass Through	Susavion	93.RD	None	67,756
Sub-total CFDA No. 93.RD - Research contract					67,756
Total U.S. Department of the Treasury					67,756
Total Research Cluster					11,277,527
IMMUNIZATION CLUSTER:					
<u>Department of Health and Human Services</u>					
<u>Center for Disease Control</u>					
Statewide Immunization Re	Pass Through	State of California-DPH	93.268	0911511	60,884
Imm Proj Subvention	Pass Through	State of California-DPH	93.268	0911510	3,022
California Immunizations	Pass Through	State of California-DPH	93.268	1095224	28,228
California Immunizations	Pass Through	State of California-DPH	93.268	1095224	1,083,482
Sub-total CFDA No. 93.268 - Immunization Cooperative Agreements					1,175,616
<u>Center for Disease Control</u>					
CEIP ARRA-317	Direct	DHHS-CDC	93.712	3U01CI00030905S2	201,116
ELC ARRA 317-MCV	Direct	DHHS-CDC	93.712	3U50CI92367705S2	36,554
ELC 317 Rotavirus ARRA	Direct	DHHS-CDC	93.712	3U50CI92367705S4	117,053
<u>Center for Disease Control</u>					
Statewide Immunization Re	Pass Through	State of California-DPH	93.712	0911511	13,514
Sub-total CFDA No. 93.712 - ARRA-Immunization					368,237
Total Department of Health and Human Services					1,543,853
Total Immunization Cluster					1,543,853

See accompanying notes to schedule of expenditures of federal awards and 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

PUBLIC HEALTH FOUNDATION ENTERPRISES, INC.
(California Not-for-Profit Corporation)
Schedule of Expenditures of Federal Awards (continued)
Year Ended June 30, 2012

Federal Grantor/Program or Cluster Title	Direct or Pass Through	Name of Pass Through Agency	Catalog of Federal Domestic Assistance (CFDA) Number	Contract Number	Federal Expenditures
<u>Department of Health and Human Services</u>					
<u>Administration for Community Living</u>					
Senior Nutrition Program	Pass Through	The County of Contra Costa	93.045	229406	157,263
Sub-total CFDA No. 93.045 - Special Programs for the Aging Title III, Part C Nutrition Services					157,263
<u>Center for Disease Control</u>					
CaliciNet OSC	Pass Through	Assoc of Public Health Lab	93.065	None	2,786
Salmonella Serotyping	Pass Through	Assoc of Public Health Lab	93.065	None	9,418
LRN LIMS Project	Pass Through	Assoc of Public Health Lab	93.065	564002002021203	92,955
Neuraminidase Inh. Serv.	Pass Through	Assoc of Public Health Lab	93.065	564002006211204	12,570
Sub-total CFDA No. 93.065 - Laboratory Leadership, Workforce Training and Management Development, Improving Pub Health Laboratory Infrastructure					117,729
Atlanta HQ UCSF TA	Pass Through	SFDPH	93.067	DPHC12000519	8,908
Atlanta HQ UCSF TA	Pass Through	SFDPH	93.067	Pending	676
UCSF-South Africa	Pass Through	Regents Univ of CA- San Fran	93.067	6924sc	13,362
Sub-total CFDA No. 93.067 - Global AIDS					22,946
Cal Dept. of Health Serv.	Pass Through	State of California-DPH	93.069	0765876	7,434
CDC Base	Pass Through	County of Los Angeles-DPH	93.069	H702550	289,253
PHER PHASE I & II-Area I	Pass Through	County of Los Angeles-DPH	93.069	PH001531	220,619
Emergency Planning	Pass Through	State of California-DPH/SFDPH	93.069	DPHC11000789	3,643
CDC Base	Pass Through	County of Los Angeles-DPH	93.069	H702550	517,019
VRDL	Pass Through	State of California-DPH	93.069	0911693	1,007
So.Dakota Health Dept	Pass Through	State of South Dakota	93.069	11SC090653	46,545
Contra Costa Co Hlth Svc	Pass Through	The County of Contra Costa	93.069	2280617	235,032
CDC Base	Pass Through	County of Los Angeles-DPH	93.069	H702550	1,742,959
Emergency Planning	Pass Through	State of California-DPH/SFDPH	93.069	DPHC11000789	27,588
Project I - PHEP Base	Pass Through	County of Los Angeles-DPH	93.069	PH001416W4	30,465
Sub-total CFDA No. 93.069 - Public Health Emergency Preparedness					3,121,564

See accompanying notes to schedule of expenditures of federal awards and 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

PUBLIC HEALTH FOUNDATION ENTERPRISES, INC.
(California Not-for-Profit Corporation)
Schedule of Expenditures of Federal Awards (continued)
Year Ended June 30, 2012

Federal Grantor/Program or Cluster Title	Direct or Pass Through	Name of Pass Through Agency	Catalog of Federal Domestic Assistance (CFDA) Number	Contract Number	Federal Expenditures
<u>Center for Disease Control</u>					
EHS Network - Food	Direct	DHHS-CDC	93.070	5U01EH00070402	406,135
Sub-total CFDA No. 93.070 - Environmental Public Health and Emergency Response					<u>406,135</u>
<u>Health Resources and Services Administration - Direct</u>					
LAFAN-Clinical Q.M.	Direct	DHHS-HRSA	93.153	5H12HA000402300	162,987
LAFAN - 10% Admin.	Direct	DHHS-HRSA	93.153	5H12HA000402400	911,466
Sub-total CFDA No. 93.153 - Coordinated Services and Access to Research for Women, Infants, Children, and Youth					<u>1,074,453</u>
<u>Center for Disease Control</u>					
Adult Viral Hepatitis Pre	Direct	DHHS-CDC	93.270	5U51PS00090004	33,012
Adult Viral Hepatitis Pre	Direct	DHHS-CDC	93.270	5U51PS00090005	65,773
Viral Hep Surveillance SF	Direct	DHHS-CDC	93.270	1U54PS00370801	148,673
Sub-total CFDA No. 93.270 - Adult Viral Hepatitis Prevention and Control					<u>247,458</u>
<u>Center for Disease Control</u>					
CEIP	Direct	DHHS-CDC	93.283	5U01CI00030905	1,860,000
Epidemiology & Lab	Direct	DHHS-CDC	93.283	3U50CI92367705S5	2,180,444
Enhancing California NBS	Direct	DHHS-CDC	93.283	5U50DD00047503	29,682
CEIP	Direct	DHHS-CDC	93.283	1U50CK00020101	1,061,575
Epidemiology & Lab	Direct	DHHS-CDC	93.283	1U50CK00024701	832,821
CA Hemoglobinopathy Surve	Direct	DHHS-CDC	93.283	5U50DD00056802	410,632
<u>Center for Disease Control</u>					
SFDPH APC	Pass Through	NACCHO	93.283	2010092007	156,292
Influenza Incidence Surv	Pass Through	County of Los Angeles-DPH	93.283	PH001416W3	48,794
Influenza Virus Isolation	Pass Through	Assoc of Public Health Lab	93.283	None	60,595
Antiviral Res. Screening	Pass Through	Assoc of Public Health Lab	93.283	None	12,893
MultiCtr Eval. A(H1N1)	Pass Through	Assoc of Public Health Lab	93.283	None	17,732
HAI Liaison Program	Pass Through	State of California-DPH	93.283	1110768	343,427
SFDPH APC	Pass Through	NACCHO	93.283	2010092007	216,423
Influenza Incidence Surv	Pass Through	County of Los Angeles-DPH	93.283	PH001416W3	5,554
Sub-total CFDA No. 93.283 - CDC and Prevention Investigation and Technical Assistance					<u>7,236,864</u>
<u>Center for Disease Control</u>					
LAC PERFORMS	Pass Through	County of Los Angeles-DPH	93.507	PH001416W2	14,598
LAC PERFORMS I	Pass Through	County of Los Angeles-DPH	93.507	PH001416W2	202,235
Sub-total CFDA No. 93.507 - PPHF 2012 National Public Health Improvement Initiative					<u>216,833</u>

See accompanying notes to schedule of expenditures of federal awards and 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

PUBLIC HEALTH FOUNDATION ENTERPRISES, INC.
(California Not-for-Profit Corporation)
Schedule of Expenditures of Federal Awards (continued)
Year Ended June 30, 2012

Federal Grantor/Program or Cluster Title	Direct or Pass Through	Name of Pass Through Agency	Catalog of Federal Domestic Assistance (CFDA) Number	Contract Number	Federal Expenditures
<u>Center for Disease Control</u>					
CEIP Influenza Testing	Direct	DHHS-CDC	93.521	1U01CI00091001	100,907
CEIP Influenza Testing	Direct	DHHS-CDC	93.521	5U01CI00091002	382,909
Sub-total CFDA No. 93.521 - The Affordable Care Act: Building Epidemiology, Lab & Health Info Systems Capacity in the Epidemiology & Lab Capacity for ELC and EIP Cooperative Agreements					483,816
Implementing New Directio	Direct	DHHS-CDC	93.523	1U65PS00327501	158,500
Implementing New Directio	Direct	DHHS-CDC	93.523	1U65PS00362801	264,512
Sub-total CFDA No. 93.523 - The Affordable Care Act: Human Immunodeficiency Virus Prevention & Public Health Fund Activities					423,012
<u>Center for Disease Control</u>					
PHI-Comm Transformation	Pass Through	Public Health Institute	93.531	1095121	6,703
Sub-total CFDA No. 93.531 - PPHF 2012: Comm. Transformation Grants & National Dissemination & Support for Comm. Transformation Grants - financed solely by 2012 Prev and Pub Health Funds					6,703
<u>National Institute of Health</u>					
SOAR - IT	Pass Through	SFDPH	93.702	DPHC11000910	166,074
SOAR - IT	Pass Through	SFDPH	93.702	DPHC12000908	84,315
Sub-total CFDA No. 93.702 - National Center for Research Resources, Recovery Act Construction Support					250,389
<u>Administration for Children & Families</u>					
HABLA/Early Head Start	Pass Through	Rancho Santiago Comm College District	93.709	09SA909102	25,620
HABLA/Early Head Start	Pass Through	Rancho Santiago Comm College District	93.709	12P0020969	5,995
HABLA/Early Head Start	Pass Through	Rancho Santiago Comm College District	93.709	12PO023102	2,966
Sub-total CFDA No. 93.709 - ARRA-Early Head Start					34,581
<u>Center for Disease Control</u>					
CEIP ARRA-HealthCare	Direct	DHHS-CDC	93.717	3U01CI00030905S1	117,356
ELC-ARRA-HAI	Direct	DHHS-CDC	93.717	3U50CI92367705S1	933,165
Sub-total CFDA No. 93.717 - ARRA-Preventing Healthcare-Associated Infections					1,050,521

See accompanying notes to schedule of expenditures of federal awards and 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

PUBLIC HEALTH FOUNDATION ENTERPRISES, INC.
(California Not-for-Profit Corporation)
Schedule of Expenditures of Federal Awards (continued)
Year Ended June 30, 2012

Federal Grantor/Program or Cluster Title	Direct or Pass Through	Name of Pass Through Agency	Catalog of Federal Domestic Assistance (CFDA) Number	Contract Number	Federal Expenditures
<u>Office of the Secretary</u>					
HIE Expansion Grant	Pass Through	State of California-OHII/Cal eConnect	93.719	None	390,131
LANES HIE Expansion Grant	Pass Through	State of California-OHII/Cal eConnect/County of LA	93.719	None	646,726
Sub-total CFDA No. 93.719 - ARRA-State Grants to Promote Health Information Technology					1,036,857
<u>Center for Disease Control</u>					
CYAN - ARRA	Pass Through	State of California-DPH	93.723	1095121	205,496
Sub-total CFDA No. 93.723 - ARRA Prevention and Wellness-State, Territories and Pacific Islands					205,496
Philadelphia Tobacco	Pass Through	City of Philadelphia	93.724	1220217	89,209
CYAN Santa Clara	Pass Through	County of Santa Clara	93.724	None	123,547
RENEW/TRUST	Pass Through	County of Los Angeles-DPH	93.724	PH001116	5,160,043
Sub-total CFDA No. 93.724 - ARRA-Prevention and Wellness- Communities Putting Prevention to Work Funding Opportunities					5,372,799
Cal Dept. of Health Serv.	Pass Through	State of California-DPH	93.889	0765876	33,864
Hospital Preparedness	Pass Through	State of California-DPH/SFDPH	93.889	DPHC11000789	110,486
Hospital Preparedness	Pass Through	State of California-DPH/SFDPH	93.889	DPHC11000789	124,366
Sub-total CFDA No. 93.889 - National Bioterrorism Hospital Preparedness Program					
<u>Office of the Secretary</u>					
Professional Services	Pass Through	State of California-DPH	93.889	0765881A01	77,315
So.Dakota Health Dept	Pass Through	State of South Dakota	93.889	11SC090653	129,338
Sub-total CFDA No. 93.889 - National Bioterrorism Hospital Preparedness Program					475,369
<u>Health Resources and Services Administration</u>					
Case Mgmt - Psychosocial	Pass Through	County of Los Angeles-DPH	93.917	H208541	50,886
Transactional Case Mgmt	Pass Through	County of Los Angeles-DPH	93.917	PH000598	41,788
Transactional Case Mgmt	Pass Through	County of Los Angeles-DPH	93.917	PH000598	6,855
Sub-total CFDA No. 93.917 - HIV Formula Care Grants					99,529
UCSF-SPNS Systems	Pass Through	Regents Univ of CA- San Fran	93.928	6886sc	21,388
Sub-total CFDA No. 93.928 - Special Projects of National Significance					21,388
<u>Center for Disease Control</u>					
Capacity Building Asst-A	Direct	DHHS-CDC	93.939	5U65PS00164203	802,755
Capacity Building Asst-A	Direct	DHHS-CDC	93.939	5U65PS00164204	255,468
Sub-total CFDA No. 93.939 - HIV Prevention Activities Non- Governmental Organization Based					1,058,223

See accompanying notes to schedule of expenditures of federal awards and 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

PUBLIC HEALTH FOUNDATION ENTERPRISES, INC.
(California Not-for-Profit Corporation)
Schedule of Expenditures of Federal Awards (continued)
Year Ended June 30, 2012

Federal Grantor/Program or Cluster Title	Direct or Pass Through	Name of Pass Through Agency	Catalog of Federal Domestic Assistance (CFDA) Number	Contract Number	Federal Expenditures
<u>Center for Disease Control</u>					
PCSI	Direct	DHHS-CDC	93.940	1U38PS00317001	103,277
PCSI	Direct	DHHS-CDC	93.940	5U38PS00317002	295,450
<u>Center for Disease Control</u>					
Condom Distribution Prog	Pass Through	SFDPH	93.940	DPHC11000634	75,291
STD Awareness Prevention	Pass Through	State of California-DPH	93.940	0911190	37,512
HIV Prevention Project	Pass Through	SFDPH	93.940	DPHC11001001	126,927
Evaluation & Data Mgmt	Pass Through	SFDPH	93.940	DPHC1100055805	328,273
HERR Project	Pass Through	County of Los Angeles-DPH	93.940	PH001416	94,513
NHBS Project	Pass Through	County of Los Angeles-DPH	93.940	PH001416	75,230
NHBS Project	Pass Through	SFDPH	93.940	DPHC11000818	90,164
HERR Project	Pass Through	County of Los Angeles-DPH	93.940	PH001416	61,723
HERR Project	Pass Through	County of Los Angeles-DPH	93.940	PH001416	19,510
HERR Project	Pass Through	County of Los Angeles-DPH	93.940	PH001416	26,533
STD Awareness Prevention	Pass Through	State of California-DPH	93.940	1110136	52,995
Evaluation & Data Mgmt	Pass Through	SFDPH	93.940	DPHC1100055807	326,772
ETI-Fiscal Intermediary	Pass Through	SFDPH	93.940	DPHC1100055809	33,171
NHBS Project	Pass Through	County of Los Angeles-DPH	93.940	PH001416	46,124
HERR Project	Pass Through	County of Los Angeles-DPH	93.940	PH001416	13,519
NHBS Project	Pass Through	SFDPH	93.940	DPHC11000818	26,971
Sub-total CFDA No. 93.940 - HIV Prevention Activities Health Department Based					1,833,955
<u>Center for Disease Control</u>					
INC-VARHS Project	Pass Through	County of Los Angeles-DPH	93.944	PH001416	31,994
HIV/AIDS Surveillance Dat	Pass Through	SFDPH	93.944	DPHC12000569	360,427
Medical Monitoring Projec	Pass Through	SFDPH	93.944	DPHC10000467	270,853
INC-VARHS Project	Pass Through	County of Los Angeles-DPH	93.944	PH001416	37,896
HIV/AIDS Surveillance Dat	Pass Through	SFDPH	93.944	DPHC12000569	215,220
Medical Monitoring Projec	Pass Through	SFDPH	93.944	DPHC10000467	21,551
Sub-total CFDA No. 93.944 - HIV/Acquired Immunodeficiency Virus Syndrome Surveillance					937,941
<u>Substance Abuse & Mental Health Services</u>					
HIV Testing/FAP	Pass Through	SFDPH	93.959	DPHM12000351	128,207
Sub-total CFDA No. 93.959 - Block Grants for Prevention and Treatment of Substance Abuse					128,207

See accompanying notes to schedule of expenditures of federal awards and 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

PUBLIC HEALTH FOUNDATION ENTERPRISES, INC.
(California Not-for-Profit Corporation)
Schedule of Expenditures of Federal Awards (continued)
Year Ended June 30, 2012

Federal Grantor/Program or Cluster Title	Direct or Pass Through	Name of Pass Through Agency	Catalog of Federal Domestic Assistance (CFDA) Number	Contract Number	Federal Expenditures
<u>Center for Disease Control</u>					
STD Surveillance Network	Pass Through	SFDPH	93.977	DPHC11000582	7,774
STD Awareness Prevention	Pass Through	State of California-DPH	93.977	0911190	154,920
STD Prevention Project	Pass Through	SFDPH	93.977	DPHC11000752	112,011
STD Surveillance Network	Pass Through	SFDPH	93.977	DPHC11000582	32,845
STD Awareness Prevention	Pass Through	State of California-DPH	93.977	1110136	100,184
STD Prevention Project	Pass Through	SFDPH	93.977	DPHC11000752	113,648
Sub-total CFDA No. 93.977 - Preventive Health Services Sexually Transmitted Diseases Control Grants					521,382
<u>Center for Disease Control</u>					
Genotyping TB Isolates	Direct	DHHS-CDC	93.000	200200828193	585,736
So.Africa Prevention Curr	Direct	DHHS-CDC	93.000	2002010M34009	128,641
Sub-total CFDA No. 93.000 - Other federally funded program					714,377
<u>National Institute of Health</u>					
OCTAVE/YECI	Direct	DHHS-NIH	93.000	None	356,148
OCTAVE/YECI	Direct	DHHS-NIH	93.000	None	20,568
Sub-total CFDA No. 93.000 - Other federally funded program					
<u>National Institute of Health</u>					
Risk Reduction Project	Pass Through	PPD Development LP	93.000	PO91588998	6,135
Sub-total CFDA No. 93.000 - Other federally funded program					382,851
<u>Office of the Secretary</u>					
HAI Prevention Efforts	Direct	DHHS-Office of the Secretary	93.000	HHSP233201100713P	56,256
Sub-total CFDA No. 93.000 - Other federally funded program					56,256
<u>Substance Abuse & Mental Health Services</u>					
Alcohol Screening	Pass Through	Northrop Grumman	93.000	7500030235	2,193
Alcohol Screening	Pass Through	Northrop Grumman	93.000	7500030235	17,944
Sub-total CFDA No. 93.000 - Other federally funded program					20,137
Total U.S. Department of Health and Human Services					27,715,034

See accompanying notes to schedule of expenditures of federal awards and 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

PUBLIC HEALTH FOUNDATION ENTERPRISES, INC.
(California Not-for-Profit Corporation)
Schedule of Expenditures of Federal Awards (continued)
Year Ended June 30, 2012

Federal Grantor/Program or Cluster Title	Direct or Pass Through	Name of Pass Through Agency	Catalog of Federal Domestic Assistance (CFDA) Number	Contract Number	Federal Expenditures
<u>U.S. Department of Homeland Security</u>					
Bio Watch - JC	Pass Through	The Tauri Group	93.000	2008001S	229,132
Bio Watch - JC	Pass Through	The Tauri Group	93.000	2011019	897,798
Bio Watch - JC	Pass Through	The Tauri Group	93.000	2011019	313,294
Bio Watch - JC	Pass Through	The Tauri Group	93.000	2011019	352,752
Sub-total CFDA No. 93.000 - Other federally funded program					1,792,976
Total U.S. Department of Homeland Security					1,792,976
<u>U.S. Department of the Interior</u>					
<u>National Park Service</u>					
NPS Vector Borne Diseases	Direct	Dept of Int-Natl Park Serv	93.283	H2480070003	31,326
Sub-total CFDA No. 93.283 - CDC and Prevention, Investigation and Technical Assistance					31,326
Total U.S. Department of Interior					31,326
<u>Corporation for National & Community Service</u>					
AmeriCorp	Pass Through	Child & Fam Comm of OC	94.013	FCIA 602	49,143
VISTA	Pass Through	Child & Fam Comm of OC	94.013	FCIV304	141,098
AmeriCorp	Pass Through	Child & Fam Comm of OC	94.013	FCIA 702	154,274
VISTA	Pass Through	Child & Fam Comm of OC	94.013	FCIV404	463,659
Sub-total CFDA No. 94.013 - Volunteers in Service to America					808,174
Total Corporation for National & Community Service					808,174
Total expenditures of Federal awards					\$ 98,330,946

See accompanying notes to schedule of expenditures of federal awards and 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

PUBLIC HEALTH FOUNDATION ENTERPRISES, INC.
(California Not-for-Profit Corporation)
Notes to Schedule of Expenditures of Federal Awards
Year ended June 30, 2012

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Public Health Foundation Enterprises, Inc. ("PHFE") under programs of the federal government for the year ended June 30, 2012. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the schedule presents only a selected portion of the operations of PHFE, it is not intended to and does not present the financial position, changes in net assets or cash flows of PHFE.

(2) Summary of 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. Pass-through entity identifying numbers are presented where available.

PUBLIC HEALTH FOUNDATION ENTERPRISES, INC.
(California Not-for-Profit Corporation)
Notes to Schedule of Expenditures of Federal Awards (continued)
Year ended June 30, 2012

(3) Subrecipients

Federal awards paid to subrecipients during the year ended June 30, 2012 were as follows:

Program Title	CFDA	Amount
Women, Infants & Children	10.557	\$ 51,205
Los Angeles Family AIDS Network ("LAFAN")	93.153	727,202
Case Mgmt-Psychosocial	93.917	53,106
California Emerging Infections ("CEIP")	93.283	462,430
Epidemiology & Lab Capacity for Infectious Diseases	93.283	455,693
CA Hemoglobinopathy Survey	93.283	262,889
SF Vaccine and Prevention	93.855	26,086
STD Prevention Project	93.977	23,522
California Department of Health Services	93.069	2,499
California Department of Health Services	93.889	38,799
HIV/AIDS Surveillance Data	93.944	22,207
CDC Base	93.069	493,032
Medical Monitoring Project	93.944	5,820
Network for a Healthy California	10.561	14,376
Risk Reduction Project	93.000	5,680
Reducing Sexual Risk	93.941	60,984
Aripiprazole to Reduce	93.279	31,046
Hair as a Biomarker	93.242	971
Prevention Umbrella for MSM in the Americas	93.855	540,124
Family Planning Service Delivery Improvement Research	93.974	166,053
Capacity Building Asst-A	93.939	590,752
SFDPH APC	93.283	94,274
SFDPH APC	93.283	88,444
CEIP ARRA	93.712	18,583
ELC-ARRA	93.717	4,485
Clinical & Transitional	93.701	34,278
AWARE	93.701	328,039
Evaluation & Data Management	93.940	54,623
So Africa Prevention Curr	93.000	1,800
OCTAVE/YECI	93.000	263,235
RENEW/TRUST	93.724	1,065,227
CYAN - ARRA	93.723	44,924
Addressing Syndemics through Program Collaboration and Service Integration	93.940	358,077
ELC 317 Rotavirus - ARRA	93.712	117,053
Emergency Planning	93.889	31,633
Implementing New Direction	93.523	19,811
CEIP Influenza Testing	93.521	18,198
PREPARE	93.856	96,022
OCACHIR-PS91 - ARRA	93.701	80,861
Naltrexone	93.279	29,128
PHER PHASE I & II Area I	93.069	165,000
Longitudinal Research	93.242	93,321
EPIC Enhancing PrEP	93.242	80,716
PREPARE	93.855	131,413
LRN LIMS Project	93.065	89,023
Viral Hep Surveillance SF	93.270	41,295
LANES HIE Expansion Grant	93.719	802,412
		<u>\$ 8,186,351</u>

PUBLIC HEALTH FOUNDATION ENTERPRISES, INC.
(California Not-for-Profit Corporation)
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

(1) Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on the financial statements: **Unqualified opinion**

Internal control over financial reporting:

Material weaknesses identified? X Yes No

Significant deficiencies identified that are not considered to be material weaknesses? X Yes None reported

Noncompliance material to the financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weaknesses identified? Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? Yes X None reported

Identification of major programs and type of auditors' report issued on compliance:

Program Name	CFDA Number	Opinion
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	Unqualified
State Admin Matching Grants for the Supplemental Nutrition Assistance Program	10.561	Unqualified
Immunization Cluster (ARRA and Non-ARRA)	93.268 and 93.712	Unqualified
ARRA - Preventing Healthcare - Associated Infections	93.717	Unqualified
ARRA - State Grants to Promote Health Information Technology	93.719	Unqualified
ARRA - Prevention and Wellness - Communities Putting Prevention to Work Funding Opportunities	93.724	Unqualified

Other items:

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? Yes X No

Dollar threshold used to distinguish between type A and type B programs: **\$2,949,928**

Auditee qualified as a low-risk auditee under section 0.530 of OMB Circular A-133? X Yes No

PUBLIC HEALTH FOUNDATION ENTERPRISES, INC.
(California Not-for-Profit Corporation)
Schedule of Findings and Questioned Costs (continued)
Year ended June 30, 2012

(2) Findings Relating to the Financial Statements Reported in Accordance with Government Auditing Standards

Finding FS-2012-01 – Closing the Books and Review of Financial Statements

Comment

The current accounting department for PHFE performs well in the basic program accounting and recordkeeping functions. However, the process is lacking a supervisory or review function performed by an individual with a strong knowledge of generally accepted accounting principles (“GAAP”). We noted during our audit that PHFE was not properly:

- accruing for vacation and sick pay for federal program employees;
- classifying liabilities, such as deferred revenue and amounts due to subcontractors, net of the related accounts receivable;
- classifying prepaid expenses, such as workers compensation insurance and other prepayments, net of the related accounts payable;
- recording revenues and expenses, due to recording indirect fees twice as both indirect fee revenue and program revenue, offset by an equal amount of program expenses;
- accounting for rent expense where lease agreements included elements of escalating rents; and
- determining capital leases from operating leases and properly accounting for the capitalized asset, interest expense and liability of capital leases.

These conditions, net, resulted in an overstatement of assets by \$1,788,000, an understatement of liabilities by \$1,238,000, a gross up of revenue and expenses of \$8,253,000, an additional overstatement of expenses by \$654,000 and an overstatement of beginning net assets by \$3,680,000.

Recommendation

These type of transactions are not unusual to organizations similar to PHFE, and the GAAP requirements for such transactions are not obscure or difficult in nature. An accountant with the appropriate background and knowledge of GAAP, either hired or contracted, would provide the accounting supervisory role needed to identify and properly record transactions on a GAAP basis. This function could also be structured to include a role of developing efficiencies in PHFE’s current processes.

PUBLIC HEALTH FOUNDATION ENTERPRISES, INC.
(California Not-for-Profit Corporation)
Schedule of Findings and Questioned Costs (continued)
Year ended June 30, 2012

(2) Findings Relating to the Financial Statements Reported in Accordance with Government Auditing Standards (continued)

Views of Responsible Officials

PHFE is currently reviewing its organizational structure to determine the best way to manage this critical area of operation and is considering various options to fill the technical and supervisory role(s) suggested.

Finding FS-2012-02 – State Unemployment Insurance (“SUI”)

Comment

PHFE has elected the reimbursement method of paying their state unemployment insurance, which is allowed for non-profits in order to keep their costs low. Under this method, PHFE reimburses the State of California quarterly for funds distributed during the period. However, PHFE is accruing unemployment insurance costs based on the traditional method of 3.6% of the first \$7,000 of wages for each employee. This condition resulted in an overstatement of the SUI accrual by \$1,240,000, but an understatement of the SUI expense by \$203,000 in the current fiscal year. Because this condition existed in the prior year, there was a prior period effect which adjusted the beginning net assets by \$1,443,000.

Recommendation

We recommend that PHFE accrue the state unemployment insurance at a rate that is closer to their actual expense and evaluate the accrual at each reporting period, to ensure that the expense and liability are accurately stated. This will also help the organization evaluate the cost effectiveness of the elected reimbursement method.

Views of Responsible Officials

Management agrees with the recommendation that we accrue state unemployment insurance at a rate that better represents our actual expense. Because we have elected the reimbursement method with the state of California, it is difficult to predict the actual costs, as there are several assumptions required, in order to estimate the liability. However, management has begun to develop analytics to review past trends and future estimations to better estimate the likely costs that relate to the current period.

PUBLIC HEALTH FOUNDATION ENTERPRISES, INC.
(California Not-for-Profit Corporation)
Schedule of Findings and Questioned Costs (continued)
Year ended June 30, 2012

(2) Findings Relating to the Financial Statements Reported in Accordance with Government Auditing Standards (continued)

Finding FS-2012-03 – Workers Compensation

Comment

PHFE accrues workers compensation expense using a formula based program that estimates the expense for purposes of billing their programs. However, the actual liability at the end of the year should be comprised of only known claims and an estimate of incurred but not reported (“IBNR”) claims on the retroactive and captive insurance policies for the years ended June 30, 2005 through 2010. All claims submitted after June 30, 2010 are covered under the current guaranteed cost policy in which PHFE pays annual premiums for 100% coverage. PHFE’s method of accruing workers compensation expense resulted in an overstatement of the liability by \$550,000 and an overstatement of the expense by \$49,000. Because this condition existed in the prior year, there was a prior period effect which adjusted the beginning net assets by \$501,000.

Recommendation

We recognize that for program billing purposes, PHFE is allowed to bill the programs for worker compensation based on the method they are currently using, however, we recommend that PHFE review the statements provided by the insurance broker on the retroactive and captive policies, and true up the liability and expense to the actual estimated amounts due and incurred, at each reporting period. This will eliminate overstated expenses and liabilities and will help PHFE evaluate the effectiveness of the current outstanding retroactive and captive policies.

Views of Responsible Officials

Management agrees with the recommendation to review our statements and true up/reconcile the liability to the actual amounts incurred in each reporting period. PHFE has been covered under a guaranteed cost plan for a year and a half, and we plan to stay with this policy going forward, as it provides predictable costs and 100% coverage of claims related to the periods after the policy became effective. For claims related to periods prior to this policy, management will estimate costs based on information provided by our insurance broker, as these periods are covered under self-insured policies.

PUBLIC HEALTH FOUNDATION ENTERPRISES, INC.
(California Not-for-Profit Corporation)
Schedule of Findings and Questioned Costs (continued)
Year ended June 30, 2012

(2) Findings Relating to the Financial Statements Reported in Accordance with Government Auditing Standards (continued)

Finding FS-2012-04 – Revenue Recognition

Comment

During our audit procedures, we noted inconsistencies regarding the classification of various contracts. We noted several private contracts improperly recorded as contributions resulting in revenue being recognized in the wrong period. Contribution revenue should be recognized upon receipt of the contributor's pledge, while contract revenue is recognized as earned based on the terms of the contract. The improper classification resulted in an understatement of revenue of \$110,000 and an understatement of deferred revenue of \$374,000. Because this condition existed in the prior year there is a prior period effect which adjusted the beginning net asset by \$484,000.

Recommendation

We recommend that a better understanding be obtained regarding the proper classification of revenue, including the distinction between contract revenue, restricted and unrestricted contributions; and that this understanding be clearly communicated to all employees involved in coding and recording the receipt of such revenues. We suggest that PHFE develop an appropriate revenue recognition policy for such transactions and ensure that the necessary employees are aware and understand the policy.

Views of Responsible Officials

PHFE will develop an appropriate revenue recognition policy in accordance with GAAP and insure that training and guidance is provided to those individuals involved so that revenue is accounted for properly.

Finding FS-2012-05 – Cash reconciliation process

Comment

While performing audit procedures surrounding the cash reconciliation process, we noted that the process to reconcile PHFE's cash accounts is overly complex. PHFE improperly includes credit card payables and cancelled electronic ACH payments and improperly excludes certain outstanding payroll checks as reconciling items, the net effects of which resulted in the understatement of cash and accounts payable by \$181,000.

PUBLIC HEALTH FOUNDATION ENTERPRISES, INC.
(California Not-for-Profit Corporation)
Schedule of Findings and Questioned Costs (continued)
Year ended June 30, 2012

(2) Findings Relating to the Financial Statements Reported in Accordance with Government Auditing Standards (continued)

Recommendation

The process of closing the books for any organization can be a difficult and trying process. We suggest that management review the current accounting procedures in this area and consider changes in procedures to make this process more accurate and efficient. The ideal process would allow for easy identification of the proper items needed to reconcile the books and the cash balances at any point in time.

Views of Responsible Officials

PHFE will implement a system whereby credit card, ACH payments and other items are properly accounted for and reconciled so that the cash reconciliation process is performed accurately and is less complex.

(3) Findings and Questioned Costs Relating to Federal Awards

There are no findings for the year ended June 30, 2012.

PUBLIC HEALTH FOUNDATION ENTERPRISES, INC.
(California Not-for-Profit Corporation)
Prior Year Findings and Questioned Costs

There were no audit findings for the year ended June 30, 2011.