

**STATE OF CALIFORNIA  
OFFICE OF STATEWIDE HEALTH  
PLANNING AND DEVELOPMENT,  
HEALTH PROFESSIONS  
EDUCATION FOUNDATION**

**FINANCIAL STATEMENTS AND  
ADDITIONAL FINANCIAL INFORMATION**

**JUNE 30, 2009 AND 2008**



**STATE OF CALIFORNIA  
OFFICE OF STATEWIDE HEALTH PLANNING AND DEVELOPMENT  
HEALTH PROFESSIONS EDUCATION FOUNDATION**

**TABLE OF CONTENTS  
JUNE 30, 2009 AND 2008**

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FINANCIAL SECTION

Independent Auditor's Report .....	1
Financial Statements:	
Balance Sheets – Special Revenue Fund .....	3
Statements of Revenues, Expenditures, and Changes in Fund Balance – Special Revenue Fund .....	4
Statements of Fiduciary Net Assets – Private Purpose Trust Fund .....	5
Statements of Changes in Fiduciary Net Assets – Private Purpose Trust Fund .....	6
Notes to the Financial Statements .....	7

ADDITIONAL FINANCIAL INFORMATION..... 14

2009 Supplemental Schedules:

Combining Balance Sheets – Special Revenue Funds .....	15
Combining Statements of Revenues, Expenditures, and Changes in Fund Balances – Special Revenue Funds .....	16
Combining Statements of Fiduciary Net Assets – Private Purpose Trust Funds .....	17
Combining Statements of Changes in Fiduciary Net Assets – Private Purpose Trust Funds .....	18

2008 Supplemental Schedules:

Combining Balance Sheets – Special Revenue Funds .....	19
Combining Statements of Revenues, Expenditures, and Changes in Fund Balances – Special Revenue Funds .....	20
Combining Statements of Fiduciary Net Assets – Private Purpose Trust Funds .....	21
Combining Statements of Changes in Fiduciary Net Assets – Private Purpose Trust Funds .....	22

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	23
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## **FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

**To the Board of Trustees of  
Health Professions Education Foundation  
Sacramento, California**

We have audited the accompanying financial statements as listed in the table of contents of the Health Professions Education Foundation (Foundation) as of and for the years ended June 30, 2009 and 2008. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the auditing 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Foundation and do not purport to, and do not, present fairly the financial position of either the State of California or the Office of Statewide Health Planning and Development as of June 30, 2009 and 2008, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Health Professions Education Foundation as of June 30, 2009 and 2008, and the respective changes in financial position, thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2010 on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Health Profession Education Foundation's financial statements. The accompanying additional financial information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Gilbert Associates, Inc.*

**GILBERT ASSOCIATES, INC.**  
**Sacramento, California**

**February 19, 2010**

# HEALTH PROFESSIONS EDUCATION FOUNDATION

## BALANCE SHEETS SPECIAL REVENUE FUND JUNE 30, 2009 AND 2008

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	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 6,466,596	\$ 5,566,825
Due from Other State Funds	2,490,921	41,318
Accounts Receivable	715,519	907,864
Prepaid Items	<u>38,702</u>	<u>51,520</u>
Total Assets	<u>\$ 9,711,738</u>	<u>\$ 6,567,527</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts Payable	\$ 258,423	\$ 67,612
Advanced Fee Collections	149,170	150,938
Reserve for Long-Term Receivables	682,494	717,069
Due to Other State Funds	<u>78,827</u>	<u>38,766</u>
Total Liabilities	<u>1,168,914</u>	<u>974,385</u>
Fund Balance:		
Reserved for Encumbrances	3,968,846	1,177,936
Reserved for Prepaid Items	38,702	51,520
Unreserved	<u>4,535,276</u>	<u>4,363,686</u>
Total Fund Balance	<u>8,542,824</u>	<u>5,593,142</u>
Total Liabilities and Fund Balance	<u>\$ 9,711,738</u>	<u>\$ 6,567,527</u>

The accompanying notes are an integral part of these financial statements.

# HEALTH PROFESSIONS EDUCATION FOUNDATION

## STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE SPECIAL REVENUE FUND YEARS ENDED JUNE 30, 2009 AND 2008

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	<u>2009</u>	<u>2008</u>
<b>REVENUES</b>		
Surcharges for Professional Licensing Fees	\$ 1,982,475	\$ 2,261,514
Student Loan Repayments	71,711	71,940
Interest Income	139,472	223,071
Other Revenue	<u>2,500</u>	<u>11,820</u>
Total Revenues	<u>2,196,158</u>	<u>2,568,345</u>
<b>EXPENDITURES</b>		
Student Financial Aid	1,191,206	974,379
Salaries and Benefits	271,468	237,712
Information Technology	5,430	33,133
Professional Services	31,321	46,963
Facilities Operations	43,835	20,742
General Expenses	15,478	18,522
Departmental Services	100,040	5,876
Travel	9,691	3,894
Central Administrative Services	16,892	2,601
Postage	2,191	618
Communications	46	389
Printing	4,530	1,565
Training	3,085	656
Other Operating	<u>18,342</u>	<u>4,996</u>
Total Expenditures	<u>1,713,555</u>	<u>1,352,046</u>
Excess of Revenues over Expenditures	482,603	1,216,299
<b><u>OTHER FINANCING SOURCES:</u></b>		
Operating Transfers In	<u>2,467,079</u>	<u>                    </u>
Excess of Revenues and Other Financing Sources over Expenditures	2,949,682	1,216,299
Fund Balance, Beginning - (as restated for 2008)	<u>5,593,142</u>	<u>4,376,843</u>
Fund Balance, Ending	<u>\$ 8,542,824</u>	<u>\$ 5,593,142</u>

The accompanying notes are an integral part of these financial statements.

# HEALTH PROFESSIONS EDUCATION FOUNDATION

## STATEMENTS OF FIDUCIARY NET ASSETS

### PRIVATE PURPOSE TRUST FUND

JUNE 30, 2009 AND 2008

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	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 6,071,958	\$ 5,019,492
Due from Other State Funds	46,852	38,893
Accounts Receivable	282,290	248,322
Prepaid Items	<u>58,539</u>	<u>58,539</u>
 Total Assets	 <u>\$ 6,459,639</u>	 <u>\$ 5,365,246</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts Payable	\$ 436,376	\$ 280,716
Advanced Fee Collections	1,935,178	828,316
Reserve for Long-Term Receivables	254,822	244,267
Due to Other State Funds	<u>79,486</u>	<u>74,742</u>
 Total Liabilities	 <u>2,705,862</u>	 <u>1,428,041</u>
Net Assets:		
Held in Trust for Scholarships	<u>3,753,777</u>	<u>3,937,205</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <u>\$ 6,459,639</u>	 <u>\$ 5,365,246</u>

The accompanying notes are an integral part of these financial statements.

# HEALTH PROFESSIONS EDUCATION FOUNDATION

## STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS PRIVATE PURPOSE TRUST FUND YEARS ENDED JUNE 30, 2009 AND 2008

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	<u>2009</u>	<u>2008</u>
<b>REVENUES</b>		
Contributions and Grants	\$ 677,844	\$ 551,811
Surcharges for Professional Licensing Fees	333,876	
Interest Income	123,334	243,532
Transfer In	1,000,000	
Student Loan Repayments	27,841	25,596
Other Additions	<u>                    </u>	<u>6,250</u>
 Total Additions to Net Assets	 <u>2,162,895</u>	 <u>827,189</u>
<b>EXPENSES</b>		
Student Financial Aid	1,757,425	1,651,067
Administrative	<u>588,898</u>	<u>625,267</u>
 Total Deductions from Net Assets	 <u>2,346,323</u>	 <u>2,276,334</u>
 Decrease in Net Assets	 (183,428)	 (1,449,145)
 Net Assets, Beginning - (as restated for 2008)	 <u>3,937,205</u>	 <u>5,386,350</u>
 Net Assets, Ending	 <u>\$ 3,753,777</u>	 <u>\$ 3,937,205</u>

The accompanying notes are an integral part of these financial statements.

# HEALTH PROFESSIONS EDUCATION FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

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### 1. ORGANIZATION

The Health Professions Education Foundation (the Foundation) is a California non-profit 501 (c) (3) public benefit corporation established in 1988. The Office of Statewide Health Planning and Development (OSHPD) provides administrative oversight to the Foundation. The Foundation's public and charitable purposes are the solicitation and receipt of funds from public and private sources to be used in accordance with Section 128335 of the Health and Safety Code. Section 128335 provides that the funds will be used to further the health education of students from underrepresented backgrounds who agree to practice their professions in medically underserved areas of the State of California.

The Foundation provides scholarships and loan repayments to aspiring and practicing health professionals who agree to practice direct patient care in a medically underserved area. Scholarships are offered to health professional students attending one of California's accredited colleges or universities. Loan repayment programs are offered to graduates pursuing a health professional career to assist in the repayment of educational debt. Scholarships and loan repayments are offered to students and graduates from the following professions: Allied Health, Nursing, Mental Health, Dental, and Medical. Those students and graduates who receive awards from the Foundation are required to practice direct patient care in medically underserved areas of California for a period of one to four years and varies depending on the award.

The Foundation has eleven voting Directors, known as Trustees that are appointed in accordance with Section 128335. The President is appointed by the Governor. Trustees serve without compensation but are reimbursed for any actual and necessary expenses incurred in connection with their duties as members of the Board.

The activities of the Foundation are accounted for in two fund types, Special Revenue and Private Purpose Trust, and six separate funds are maintained in the State Treasury. The Special Revenue Funds are the: Registered Nurse Education Fund, Mental Health Practitioner Education Fund, Vocational Nurse Education Fund, and Mental Health Services Fund. The Private Purpose Trust Funds are the Health Professions Education Fund and the Medically Underserved Account for Physicians Fund.

#### Reporting Entity and Operations

The Foundation's activities are accounted for in the six funds noted above. The majority of revenues for the funds are from the following sources:

- **The Vocational Nurse Education Fund (VNEF)**
  - Funded through a \$5.00 surcharge for renewal of the Vocational Nurse license in California
- **The Registered Nurse Education Fund (RNEF)**
  - Funded through a \$10.00 surcharge for renewal of the Registered Nurse (RN) license in California
- **The Mental Health Practitioner Education Fund (MHPEF)**
  - Funded through a \$10.00 surcharge for renewal of Psychologist, Marriage and Family Therapist, and Licensed Clinical Social Worker licenses in California

# HEALTH PROFESSIONS EDUCATION FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

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- **Mental Health Services Act Fund (MHSA)**
  - Funded by Proposition 63, the Mental Health Services Act, passed by voters in 2004 provides \$2.5 million per year
- **The Health Professions Education Fund (HPEF)**
  - Supported entirely through grants and contributions from public and private agencies, hospitals, health plans, foundations, corporations, and individuals
- **Medically Underserved Account for Physicians (MUAP)**
  - Funded through a \$25.00 surcharge for renewal of allopathic physician licenses in California and through the Managed Care Administrative Fines and Penalties Fund.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Accounting

The Foundation's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental agencies. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Special Revenue Funds utilize the modified accrual basis of accounting and revenues are recorded as they become measurable and available, and expenditures are recorded at the time the liabilities are incurred. Surcharges for professional licensing fees are recorded as revenue in the period they are earned and susceptible to accrual, provided they are measurable and available within the ensuing 12 months. Financial aid payments are recorded as encumbrances when awarded, and are expensed in period of distribution. All other expenditures are recognized in the period in which the amount can be objectively measured, and the goods or services have been received.

The Private Purpose Trust Funds utilize the accrual basis of accounting, which has an economic resources measurement focus, where-by expenses are recognized at the time they are incurred.

### Budgetary Accounting

A budget for the Foundation as a whole has not been legally adopted and is not required. Therefore, a statement of revenues, expenditures, and changes in fund balance, actual and budget, normally presented by special revenue funds, is not included in the financial statements.

### Prepaid Items

The Foundation's prepaid expenses represent amounts paid to the Architectural Revolving Fund (ARF) within the State of California to cover the costs associated with moving the Foundation's offices to the current location. The Foundation records an expense when the monies are paid out from the ARF.

### Advanced Fee Collections

Advanced fee collections represents registered nurse licensing fees as resources received in advance that do not apply to the current period and are recognized as liabilities to the extent that the earning process has not been completed.

# HEALTH PROFESSIONS EDUCATION FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

### Fund Balance

Amounts appropriated for program activities, which have not been expended or encumbered, are classified as unreserved fund balance.

### Encumbrances

Purchase orders, contracts, and other commitments for expenditures are recorded as encumbrances to reserve a portion of the applicable appropriation for budgetary purposes. Open encumbrances are reported as a reservation of the fund balance since they do not constitute expenditures or liabilities under generally accepted accounting principles.

### Operating Lease

The Foundation is allocated a portion of OSHPD's monthly lease expenditure. The allocation is based on square footage used by the Foundation. Additional disclosure items, as required by generally accepted accounting principles, are presented in the financial statements of the State of California as of June 30, 2009 and 2008.

### Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

### Student Loans Receivable

As award agreements are breached, the Foundation records a receivable, and corresponding reserve for long-term receivables since the asset is not considered available for operations under the modified accrual basis of accounting. As payments of these loans are received, the "Student Loan Repayment" revenue is recognized.

## 3. CASH AND CASH EQUIVALENTS

The Foundation considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Cash and cash equivalents in the Special Revenue Funds at June 30 were as follows:

	<u>2009</u>	<u>2008</u>
Cash in State Treasury	\$ 6,596	\$ 2,825
Deposits in Surplus Money Investment Fund	<u>6,460,000</u>	<u>5,564,000</u>
Total cash and equivalents	<u>\$ 6,466,596</u>	<u>\$ 5,566,825</u>

Cash and cash equivalents in the Fiduciary Funds at June 30 were as follows:

# HEALTH PROFESSIONS EDUCATION FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

	<b>2009</b>	<b>2008</b>
Cash in State Treasury	\$ (3,042)	\$ 3,492
Deposits in Surplus Money Investment Fund	6,075,000	5,016,000
Total cash and equivalents	\$ 6,071,958	\$ 5,019,492

#### 4. DEPOSITS IN SURPLUS MONEY INVESTMENT FUND

The Foundation has invested surplus cash in the Surplus Money Investment Fund (SMIF). All of the resources of SMIF are invested through the Pooled Money Investment Account (PMIA). The PMIA investment program is designated by the Pooled Money Investment Board and is administered by the Office of the State Treasurer. Investments in SMIF are stated at fair value.

Additional disclosure details required by Government Accounting Standards Board Statements No. 3, No. 31, No. 40, and GASB Technical Bulletin 94-1 regarding cash deposits and investments, are presented in the financial statements of the State of California as of June 30, 2009 and 2008.

Interest earned on investments in the SMIF is distributed on a pro-rata basis semiannually. Undistributed interest earned by the Foundation is included in Due from Other State Funds.

All cash and investments in SMIF are highly liquid and considered cash equivalents. Cash equivalents are readily convertible to known amounts of cash at the date of purchase and they have an original maturity of three months or less.

#### 5. DUE FROM OTHER STATE FUNDS

Due from Other State Funds for the Special Revenue Fund at June 30 includes the following:

<b>Due From</b>	<b>Description</b>	<b>2009</b>	<b>2008</b>
SMIF	Interest Income	\$ 23,842	\$ 41,318
Dept. of Mental Health	Annual Appropriation	2,467,079	
Total		\$ 2,490,921	\$ 41,318

Due from Other State Funds for the Fiduciary Fund at June 30 includes the following:

<b>Due From</b>	<b>Description</b>	<b>2009</b>	<b>2008</b>
SMIF	Interest Income	\$ 22,207	\$ 38,893
Hospital Building Fund	Refund of Overpayment	24,645	
Total		\$ 46,852	\$ 38,893

# HEALTH PROFESSIONS EDUCATION FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

### 6. DUE TO OTHER STATE FUNDS

Due to Other State Funds for the Special Revenue Fund at June 30 includes the following:

<u>Due To</u>	<u>Description</u>	<u>2009</u>	<u>2008</u>
Hospital Building Fund	Outstanding Expenditures	\$ 78,827	\$ 38,766

Due to Other State Funds for the Fiduciary Fund at June 30 includes the following:

<u>Due To</u>	<u>Description</u>	<u>2009</u>	<u>2008</u>
Hospital Building Fund	Outstanding Expenditures	\$ 78,570	\$ 74,459
General Fund	Outstanding Expenditures	913	39
Service Revolving Fund	Outstanding Expenditures	3	1
Prison Industries Revolving Fund	Outstanding Expenditures		42
Dept. of Tech. Revolving Fund	Outstanding Expenditures		201
Total		\$ 79,486	\$ 74,742

### 7. DEFINED BENEFIT PLAN

Eligible Foundation employees may participate in the California Public Employees' Retirement System of the State of California (CalPERS), an agent multiple-employer retirement system that acts as a common investment and administrative agent for participating State and Local Government agencies. Since all State agencies are considered collectively to be a single employer, the actuarial present value of vested and non-vested accumulated plan benefits attributable to the Office's employees cannot be determined. The significant actuarial assumptions used to compute the actuarially determined State contribution requirement are the same as those used to compute the State pension benefit obligation as defined by CalPERS. The State charges the Foundation for its share of the required contributions. For the years ended June 30, 2009, 2008, and 2007, the Foundation was charged \$58,038, \$59,350, and \$54,238, respectively, for its share of the CalPERS contribution made by OSHPD. Participant contributions range from zero to six percent of their salary depending on the tier of participation.

Generally, full-time and permanent part-time employees are eligible to participate in CalPERS. Depending upon the plan option selection, benefits vest after five or ten years of service. Participants are eligible for service retirement after age 50 or 55 and must have five or ten years of CalPERS credited service, depending upon the tier of participation. Upon retirement, participants are entitled to an annual retirement benefit payable monthly for life based on their highest average monthly salary over any 12 month period within their last 36 months of employment, times a benefit factor of .50 to 2.418 percent depending on retirement age, years of credited service and the tier of participation. CalPERS also provides death and disability benefits to covered participants. These benefit provisions and all other requirements are established by State statute.

CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

# HEALTH PROFESSIONS EDUCATION FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

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### 8. RISK MANAGEMENT

The Foundation is a component unit of the State of California which is primarily self-insured against loss or liability. The State generally does not maintain reserves; losses are covered by appropriations in the year in which the payment occurs.

### 9. PRIOR PERIOD ADJUSTMENTS

#### Special Revenue Fund:

Fund balance at June 30, 2007 was restated to remove expenditures recorded that were in fact encumbrances. The correction of this error resulted in an increase in beginning net assets of \$1,067,620.

Fund balance – June 30, 2007

As previously reported	\$ 3,309,233
Plus: prior period adjustment	<u>1,067,620</u>
As restated	<u>\$ 4,376,843</u>

# HEALTH PROFESSIONS EDUCATION FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

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### Private Purpose Trust Funds:

Net assets at June 30, 2007 were restated to remove expenditures recorded that were in fact encumbrances. The correction of this error resulted in an increase in beginning net assets of \$3,433,053.

Net Assets – June 30, 2007

As previously reported	\$ 1,953,297
Plus: prior period adjustment	<u>3,433,053</u>
As restated	<u>\$ 5,386,350</u>

### 10. CONTINGENCIES

#### Litigation

One claim involving the Foundation was open as of the audit report date. However, based on consultation with OSHPD legal counsel, management believes that the ultimate resolution of this matter will not have a material adverse effect on the Foundation's financial position or results of operations.

## ADDITIONAL FINANCIAL INFORMATION

### Fund Financial Statements

The accounts of the Foundation are organized on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. Each fund was established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions, or limitations.

**Special Revenue Funds** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The Foundation maintains the following special revenue funds:

The **Registered Nurse Education Fund** is used as a depository for licensure fees for registered nurses to be used for the purpose of promoting the education of registered nurses and related administrative costs.

The **Mental Health Practitioner Education Fund** is used to account for surcharges on specified mental health professionals' licensing fees.

The **Vocational Nurse Education Fund** is used to account for renewal assessments imposed on vocational nurses to provide scholarships for vocational nurses who agree to practice in underserved areas or specified facilities.

The **Mental Health Services Fund** is used to provide funding to counties to expand services and develop innovative programs and integrated service plans for mentally ill children, adults and seniors.

### Fiduciary Funds

Fiduciary funds account for assets held by the Foundation in a trustee capacity or as an agent on behalf of others.

**Private Purpose Trust Funds** are used to account for assets of others for which the Foundation acts as an agent. The Foundation maintains the following private purpose trust funds:

The **Health Professions Education Fund** is used to provide scholarships and loans to students from underrepresented groups entering medical, dentistry, nursing, or other health professions, and to fund the Geriatric Nurse Practitioner and Clinical Nurse Specialist Scholarship Program.

The **Medically Underserved Account for Physicians Fund** is used to provide funding for the ongoing operations of the Steven M. Thompson Physician Corps Loan Repayment Program.

# HEALTH PROFESSIONS EDUCATION FOUNDATION

## COMBINING BALANCE SHEETS - SPECIAL REVENUE FUNDS

JUNE 30, 2009

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	<u>Registered Nurse Education</u>	<u>Mental Health Practitioner Education</u>	<u>Vocational Nurse Education</u>	<u>Mental Health Services</u>	<u>Total</u>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 4,470,139	\$ 1,373,436	\$ 623,021		\$ 6,466,596
Due from Other State Funds	16,520	5,089	2,233	\$ 2,467,079	2,490,921
Accounts Receivable	702,019	8,510	4,990		715,519
Prepaid Items	<u>25,698</u>	<u>10,002</u>	<u>3,002</u>		<u>38,702</u>
Total Assets	<u>\$ 5,214,376</u>	<u>\$ 1,397,037</u>	<u>\$ 633,246</u>	<u>\$ 2,467,079</u>	<u>\$ 9,711,738</u>
<b>LIABILITIES AND FUND BALANCE</b>					
Liabilities:					
Accounts Payable	\$ 62,721	\$ 25,289	\$ 30	\$ 170,383	\$ 258,423
Advanced Fee Collections	124,290	17,290	7,590		149,170
Reserve for Long-Term Receivables	682,494				682,494
Due to Other State Funds	<u>22,198</u>	<u>2,325</u>	<u>4,482</u>	<u>49,822</u>	<u>78,827</u>
Total Liabilities	<u>891,703</u>	<u>44,904</u>	<u>12,102</u>	<u>220,205</u>	<u>1,168,914</u>
Fund Balance:					
Reserved for Encumbrances	1,291,649	430,323		2,246,874	3,968,846
Reserved for Prepaid Items	25,698	10,002	3,002		38,702
Unreserved	<u>3,005,326</u>	<u>911,808</u>	<u>618,142</u>		<u>4,535,276</u>
Total Fund Balance	<u>4,322,673</u>	<u>1,352,133</u>	<u>621,144</u>	<u>2,246,874</u>	<u>8,542,824</u>
Total Liabilities and Fund Balance	<u>\$ 5,214,376</u>	<u>\$ 1,397,037</u>	<u>\$ 633,246</u>	<u>\$ 2,467,079</u>	<u>\$ 9,711,738</u>

# HEALTH PROFESSIONS EDUCATION FOUNDATION

## COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - SPECIAL REVENUE FUNDS YEAR ENDED JUNE 30, 2009

	<b>Registered Nurse Education</b>	<b>Mental Health Practitioner Education</b>	<b>Vocational Nurse Education</b>	<b>Mental Health Services</b>	<b>Total</b>
<b>REVENUES</b>					
Surcharges for Professional Licensing Fees	\$ 1,539,980	\$ 279,470	\$ 163,025		\$ 1,982,475
Student Loan Repayments	71,711				71,711
Interest Income	99,960	27,815	11,697		139,472
Other Revenue	2,500				2,500
Total Revenues	<u>1,714,151</u>	<u>307,285</u>	<u>174,722</u>		<u>2,196,158</u>
<b>EXPENDITURES</b>					
Student Financial Aid	1,077,474	110,159	3,573		1,191,206
Salaries and Benefits	117,516	37,994	30,527	\$ 85,431	271,468
Information Technology	1,110	36	179	4,105	5,430
Professional Services	21,883	2,448	3,055	3,935	31,321
Facilities Operations	20,484	953	958	21,440	43,835
General Expenses	4,227	194	125	10,932	15,478
Departmental Services	15,855	(4)	(4)	84,193	100,040
Travel	4,389	697	530	4,075	9,691
Central Administrative Services	12,796	2,168	1,928		16,892
Postage	612	396	96	1,087	2,191
Communications	15	(3)	(2)	36	46
Printing	229	19	21	4,261	4,530
Training	1,831	208	336	710	3,085
Other Operating	14,626	1,860	1,856		18,342
Total Expenditures	<u>1,293,047</u>	<u>157,125</u>	<u>43,178</u>	<u>220,205</u>	<u>1,713,555</u>
Excess (Deficiency) of Revenues Over Expenditures	421,104	150,160	131,544	(220,205)	482,603
<b>OTHER FINANCING SOURCES</b>					
Operating Transfers In				2,467,079	2,467,079
Excess of Revenues and Other Financing Sources over Expenditures	421,104	150,160	131,544	2,246,874	2,949,682
Fund Balance, Beginning	<u>3,901,569</u>	<u>1,201,973</u>	<u>489,600</u>		<u>5,593,142</u>
Fund Balance, Ending	<u>\$ 4,322,673</u>	<u>\$ 1,352,133</u>	<u>\$ 621,144</u>	<u>\$ 2,246,874</u>	<u>\$ 8,542,824</u>

# HEALTH PROFESSIONS EDUCATION FOUNDATION

## COMBINING STATEMENTS OF FIDUCIARY NET ASSETS

### PRIVATE PURPOSE TRUST FUNDS

JUNE 30, 2009

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	<u>Health Professions Education</u>	<u>Medically Underserved Account</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 2,329,275	\$ 3,742,683	\$ 6,071,958
Due from Other State Funds	9,119	37,733	46,852
Accounts Receivable	254,822	27,468	282,290
Prepaid Items	38,539	20,000	58,539
Total Assets	<u>\$ 2,631,755</u>	<u>\$ 3,827,884</u>	<u>\$ 6,459,639</u>
<b>LIABILITIES AND NET ASSETS</b>			
Liabilities:			
Accounts Payable	\$ 56,219	\$ 380,157	\$ 436,376
Advanced Fee Collections	1,245,828	689,350	1,935,178
Reserve for Long-Term Receivables	254,822		254,822
Due to Other State Funds	79,486		79,486
Total Liabilities	<u>1,636,355</u>	<u>1,069,507</u>	<u>2,705,862</u>
Net Assets:			
Held in Trust for Scholarships	<u>995,400</u>	<u>2,758,377</u>	<u>3,753,777</u>
Total Liabilities and Net Assets	<u>\$ 2,631,755</u>	<u>\$ 3,827,884</u>	<u>\$ 6,459,639</u>

# HEALTH PROFESSIONS EDUCATION FOUNDATION

## COMBINING STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS PRIVATE PURPOSE TRUST FUNDS YEAR ENDED JUNE 30, 2009

	<b>Health Professions Education</b>	<b>Medically Underserved Account</b>	<b>Total</b>
<b>REVENUES</b>			
Contributions and Grants	\$ 641,063	\$ 36,781	\$ 677,844
Surcharges for Professional Licensing Fees		333,876	333,876
Interest Income	55,767	67,567	123,334
Transfers In		1,000,000	1,000,000
Student Loan Repayments	27,841		27,841
Total Additions to Net Assets	724,671	1,438,224	2,162,895
<b>EXPENSES</b>			
Student Financial Aid	344,510	1,412,915	1,757,425
Salaries and Benefits	338,138	31,311	369,449
Information Technology	46,634	(6)	46,628
Professional Services	60,627	1,291	61,918
Facilities Operations	43,852	1,300	45,152
Central Administrative Services	13,682	296	13,978
Departmental Services	7,188	138	7,326
Travel	17,435	16	17,451
Central Administrative Services	12,124		12,124
Postage	7,590	174	7,764
Communications	5,785	191	5,976
Printing	227	(116)	111
Training	1,385	30	1,415
Other Operating	27,570	(27,964)	(394)
Total Deductions from Net Assets	926,747	1,419,576	2,346,323
Excess (Deficiency) of Revenues Over Expenses	(202,076)	18,648	(183,428)
Net Assets, Beginning	1,197,476	2,739,729	3,937,205
Net Assets, Ending	\$ 995,400	\$ 2,758,377	\$ 3,753,777

# HEALTH PROFESSIONS EDUCATION FOUNDATION

## COMBINING BALANCE SHEETS - SPECIAL REVENUE FUNDS JUNE 30, 2008

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	<b>Registered Nurse Education</b>	<b>Mental Health Practitioner Education</b>	<b>Vocational Nurse Education</b>	<b>Total</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 3,912,266	\$ 1,175,586	\$ 478,973	\$ 5,566,825
Due from Other State Funds	29,010	8,762	3,546	41,318
Accounts Receivable	861,309	31,460	15,095	907,864
Prepaid Items	<u>38,516</u>	<u>10,002</u>	<u>3,002</u>	<u>51,520</u>
Total Assets	<u>\$ 4,841,101</u>	<u>\$ 1,225,810</u>	<u>\$ 500,616</u>	<u>\$ 6,567,527</u>
<b>LIABILITIES AND FUND BALANCE</b>				
Liabilities:				
Accounts Payable	\$ 66,288	\$ 1,308	\$ 16	\$ 67,612
Advanced Fee Collections	126,533	17,210	7,195	150,938
Reserve for Long-Term Receivables	717,069			717,069
Due to Other State Funds	<u>29,642</u>	<u>5,319</u>	<u>3,805</u>	<u>38,766</u>
Total Liabilities	<u>939,532</u>	<u>23,837</u>	<u>11,016</u>	<u>974,385</u>
Fund Balance:				
Reserved for Encumbrances	1,033,219	144,717		1,177,936
Reserved for Prepaid Items	38,516	10,002	3,002	51,520
Unreserved	<u>2,829,834</u>	<u>1,047,254</u>	<u>486,598</u>	<u>4,363,686</u>
Total Fund Balance	<u>3,901,569</u>	<u>1,201,973</u>	<u>489,600</u>	<u>5,593,142</u>
Total Liabilities and Fund Balance	<u>\$ 4,841,101</u>	<u>\$ 1,225,810</u>	<u>\$ 500,616</u>	<u>\$ 6,567,527</u>

# HEALTH PROFESSIONS EDUCATION FOUNDATION

## COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - SPECIAL REVENUE FUNDS YEAR ENDED JUNE 30, 2008

	<u>Registered Nurse Education</u>	<u>Mental Health Practitioner Education</u>	<u>Vocational Nurse Education</u>	<u>Total</u>
<b>REVENUES</b>				
Surcharges for Professional Licensing Fees	\$ 1,762,719	\$ 323,330	\$ 175,465	\$ 2,261,514
Student Loan Repayments	71,940			71,940
Interest Income	161,670	44,001	17,400	223,071
Other Revenue	<u>11,820</u>			<u>11,820</u>
Total Revenues	<u>2,008,149</u>	<u>367,331</u>	<u>192,865</u>	<u>2,568,345</u>
<b>EXPENDITURES</b>				
Student Financial Aid	964,698	9,681		974,379
Salaries and Benefits	161,015	37,274	39,423	237,712
Communications	317	36	36	389
Information Technology	32,574	276	283	33,133
Professional Services	46,963			46,963
Travel	3,196	349	349	3,894
Facilities Operations	20,310	216	216	20,742
Departmental Services	2,775	2,617	484	5,876
General	10,121	4,390	4,011	18,522
Central Administrative Services	1,849	336	416	2,601
Printing	1,321	122	122	1,565
Postage	370	68	180	618
Training	580	38	38	656
Other Operating	<u>1,427</u>	<u>1,809</u>	<u>1,760</u>	<u>4,996</u>
Total Expenditures	<u>1,247,516</u>	<u>57,212</u>	<u>47,318</u>	<u>1,352,046</u>
Excess (Deficiency) of Revenues Over Expenditures	760,633	310,119	145,547	1,216,299
Fund Balance, Beginning, as restated	<u>3,140,936</u>	<u>891,854</u>	<u>344,053</u>	<u>4,376,843</u>
Fund Balance, Ending	<u>\$ 3,901,569</u>	<u>\$ 1,201,973</u>	<u>\$ 489,600</u>	<u>\$ 5,593,142</u>

# HEALTH PROFESSIONS EDUCATION FOUNDATION

## COMBINING STATEMENTS OF FIDUCIARY NET ASSETS

### PRIVATE PURPOSE TRUST FUNDS

JUNE 30, 2008

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	<b>Health Professions Education</b>	<b>Medically Underserved Account</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 2,098,784	\$ 2,920,708	\$ 5,019,492
Due from Other State Funds	16,642	22,251	38,893
Accounts Receivable	244,267	4,055	248,322
Prepaid Items	<u>38,539</u>	<u>20,000</u>	<u>58,539</u>
 Total Assets	 <u>\$ 2,398,232</u>	 <u>\$ 2,967,014</u>	 <u>\$ 5,365,246</u>
 <b>LIABILITIES AND NET ASSETS</b>			
Liabilities:			
Accounts Payable	\$ 61,910	\$ 218,806	\$ 280,716
Advanced Fee Collections	822,140	6,176	828,316
Reserve for Long-Term Receivables	244,267		244,267
Due to Other State Funds	<u>72,439</u>	<u>2,303</u>	<u>74,742</u>
 Total Liabilities	 <u>1,200,756</u>	 <u>227,285</u>	 <u>1,428,041</u>
 Net Assets:			
Held in Trust for Scholarships	<u>1,197,476</u>	<u>2,739,729</u>	<u>3,937,205</u>
 Total Liabilities and Net Assets	 <u>\$ 2,398,232</u>	 <u>\$ 2,967,014</u>	 <u>\$ 5,365,246</u>

**HEALTH PROFESSIONS EDUCATION FOUNDATION**  
**COMBINING STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS**  
**PRIVATE PURPOSE TRUST FUNDS**  
**YEAR ENDED JUNE 30, 2008**

	<b>Health Professions Education</b>	<b>Medically Underserved Account</b>	<b>Total</b>
<b>REVENUES</b>			
Contributions and Grants	\$ 344,564	\$ 207,247	\$ 551,811
Student Loan Repayments	25,596		25,596
Interest Income	107,556	135,976	243,532
Other Additions	6,250		6,250
Total Additions to Net Assets	<u>483,966</u>	<u>343,223</u>	<u>827,189</u>
<b>EXPENSES</b>			
Student Financial Aid	457,881	1,193,186	1,651,067
Salaries and Benefits	304,608	20,143	324,751
Information Technology	5,808	400	6,208
Professional Services	76,099	1,434	77,533
Facilities Operations	45,241	3,290	48,531
General Expenses	38,632	971	39,603
Departmental Services	57,800	1,027	58,827
Travel	32,726	205	32,931
Central Administrative Services	17,799		17,799
Postage	6,680	92	6,772
Communications	3,300	78	3,378
Printing	5,604	883	6,487
Training	1,547	115	1,662
Other Operating	(391)	1,176	785
Total Deductions from Net Assets	<u>1,053,334</u>	<u>1,223,000</u>	<u>2,276,334</u>
Excess (Deficiency) of Revenues Over Expenses	(569,368)	(879,777)	(1,449,145)
Net Assets, Beginning, as restated	<u>1,766,844</u>	<u>3,619,506</u>	<u>5,386,350</u>
Net Assets, Ending	<u>\$ 1,197,476</u>	<u>\$ 2,739,729</u>	<u>\$ 3,937,205</u>



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**To the Board of Trustees of  
Health Professions Education Foundation  
Sacramento, California**

We have audited the financial statements of the Health Professions Education Foundation (the Foundation) as of and for the years ended June 30, 2009 and 2008, and have issued our report thereon dated February 19, 2010. 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

In planning and performing our audit, we considered the Foundation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Foundation's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Foundation's financial statements that is more than inconsequential will not be prevented or detected by the Foundation's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Foundation's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the State of California and the Foundation's management and is not intended to be and should not be used by anyone other than these specified parties.

*Gilbert Associates, Inc.*

**GILBERT ASSOCIATES, INC.**  
**Sacramento, California**

**February 19, 2010**