

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

**FINANCIAL STATEMENTS AND
ADDITIONAL FINANCIAL INFORMATION**

JUNE 30, 2010 AND 2009



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

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FINANCIAL SECTION



Gilbert Associates, Inc.
CPAs and Advisors

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, 2010 and 2009. 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, 2010 and 2009, 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, 2010 and 2009, 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 January 31, 2011 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 Professions 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

January 31, 2011

HEALTH PROFESSIONS EDUCATION FOUNDATION

BALANCE SHEETS SPECIAL REVENUE FUND JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and Cash Equivalents	\$ 6,449,787	\$ 6,466,596
Due from Other State Funds	4,823,251	2,490,921
Accounts Receivable	257,187	715,519
Prepaid Items	<u> </u>	<u>38,702</u>
 Total Assets	 <u>\$ 11,530,225</u>	 <u>\$ 9,711,738</u>
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts Payable	\$ 1,173,335	\$ 258,423
Advanced Fee Collections	150,440	149,170
Reserve for Long-Term Receivables	222,037	682,494
Due to Other State Funds	<u>82,952</u>	<u>78,827</u>
 Total Liabilities	 <u>1,628,764</u>	 <u>1,168,914</u>
Fund Balance:		
Reserved for Encumbrances	5,535,077	3,968,846
Reserved for Prepaid Items	<u> </u>	<u>38,702</u>
Unreserved	<u>4,366,384</u>	<u>4,535,276</u>
 Total Fund Balance	 <u>9,901,461</u>	 <u>8,542,824</u>
 Total Liabilities and Fund Balance	 <u>\$ 11,530,225</u>	 <u>\$ 9,711,738</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, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
REVENUES		
Surcharges for Professional Licensing Fees	\$ 2,233,369	\$ 1,982,475
Student Loan Repayments	57,289	71,711
Interest Income	51,143	139,472
Other Revenue	<u> </u>	<u>2,500</u>
Total Revenues	<u>2,341,801</u>	<u>2,196,158</u>
EXPENDITURES		
Student Financial Aid	3,004,618	1,191,206
Salaries and Benefits	409,871	271,468
Information Technology	7,726	5,430
Professional Services	104,207	31,321
Facilities Operations	70,229	43,835
General Expenses	8,740	15,478
Departmental Services	41,596	100,040
Travel	11,126	9,691
Central Administrative Services	12,370	16,892
Postage	5,924	2,191
Communications	348	46
Printing	1,778	4,530
Utilities	18	
Training	1,980	3,085
Small Equipment	10,997	
Other Operating	<u>60,491</u>	<u>18,342</u>
Total Expenditures	<u>3,752,019</u>	<u>1,713,555</u>
Excess of Revenues over Expenditures	(1,410,218)	482,603
<u>OTHER FINANCING SOURCES:</u>		
Operating Transfers In	<u>2,768,855</u>	<u>2,467,079</u>
Excess of Revenues and Other Financing Sources over Expenditures	1,358,637	2,949,682
Fund Balance, Beginning	<u>8,542,824</u>	<u>5,593,142</u>
Fund Balance, Ending	<u>\$ 9,901,461</u>	<u>\$ 8,542,824</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, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and Cash Equivalents	\$ 8,053,080	\$ 6,071,958
Due from Other State Funds	11,054	46,852
Accounts Receivable	131,752	282,290
Prepaid Items	16,481	58,539
Fixed Assets, Net	<u>2,419</u>	<u> </u>
 Total Assets	 <u>\$ 8,214,786</u>	 <u>\$ 6,459,639</u>
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts Payable	\$ 290,649	\$ 436,376
Advanced Fee Collections	2,628,877	1,935,178
Reserve for Long-Term Receivables	91,252	254,822
Due to Other State Funds	<u>29,393</u>	<u>79,486</u>
 Total Liabilities	 <u>3,040,171</u>	 <u>2,705,862</u>
Net Assets:		
Held in Trust for Scholarships	<u>5,174,615</u>	<u>3,753,777</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 8,214,786</u>	 <u>\$ 6,459,639</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, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
REVENUES		
Contributions and Grants	\$ 676,606	\$ 677,844
Surcharges for Professional Licensing Fees	1,691,360	333,876
Interest Income	50,940	123,334
Transfer In	1,000,000	1,000,000
Student Loan Repayments	<u>27,614</u>	<u>27,841</u>
 Total Additions to Net Assets	 <u>3,446,520</u>	 <u>2,162,895</u>
 EXPENSES		
Student Financial Aid	1,530,444	1,757,425
Administrative	<u>495,238</u>	<u>588,898</u>
 Total Deductions from Net Assets	 <u>2,025,682</u>	 <u>2,346,323</u>
 Increase (Decrease) in Net Assets	 1,420,838	 (183,428)
 Net Assets, Beginning	 <u>3,753,777</u>	 <u>3,937,205</u>
 Net Assets, Ending	 <u>\$ 5,174,615</u>	 <u>\$ 3,753,777</u>

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

HEALTH PROFESSIONS EDUCATION FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

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 ten 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.

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 (RNEF)** is used for the purpose of promoting the education of Registered Nurses and related administrative costs and is funded through a \$10.00 surcharge for renewal of the Registered Nurse (RN) license in California.

The **Mental Health Practitioner Education Fund (MHPEF)** is used to account for surcharges for renewal of Psychologist, Marriage and Family Therapist, and Licensed Clinical Social Worker licenses in California. This is funded through a \$10.00 surcharge.

The **Vocational Nurse Education Fund (VNEF)** 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. This is funded through a \$5.00 surcharge.

HEALTH PROFESSIONS EDUCATION FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

The **Mental Health Services Act Fund (MHSA)** is used to provide funding to counties to expand services and to develop innovative programs and integrated service plans for mentally ill children, adults and seniors. This is funded by Proposition 63, the Mental Health Services Act passed by voters in 2004, which provides \$2.5 million per year.

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 (HPEF)** 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. This is supported entirely through grants and contributions from public and private agencies, hospitals, health plans, foundations, corporations, and individuals.

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

HEALTH PROFESSIONS EDUCATION FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

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 represent Registered and Vocational Nurse, Psychologist, Marriage and Family Therapist, and Licensed Clinical Social Worker licensing fees received in advance that are recognized as liabilities to the extent that the earning process has not been completed.

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, 2010 and 2009.

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.

HEALTH PROFESSIONS EDUCATION FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

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. For breached agreements which have been outstanding longer than a year and have had no activity, the Foundation deems the balance to be uncollectible and has removed it from the account balance for financial reporting.

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>2010</u>	<u>2009</u>
Cash in State Treasury	\$ 1,787	\$ 6,596
Deposits in Surplus Money Investment Fund	<u>6,448,000</u>	<u>6,460,000</u>
Total cash and equivalents	<u>\$ 6,449,787</u>	<u>\$ 6,466,596</u>

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

	<u>2010</u>	<u>2009</u>
Cash in State Treasury	\$ 80	\$ (3,042)
Deposits in Surplus Money Investment Fund	<u>8,053,000</u>	<u>6,075,000</u>
Total cash and equivalents	<u>\$ 8,053,080</u>	<u>\$ 6,071,958</u>

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, 2010 and 2009.

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.

HEALTH PROFESSIONS EDUCATION FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

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:

<u>Due From</u>	<u>Description</u>	<u>2010</u>	<u>2009</u>
SMIF	Interest Income	\$ 8,926	\$ 23,842
Dept. of Mental Health	Annual Appropriation	<u>4,814,325</u>	<u>2,467,079</u>
Total		<u>\$ 4,823,251</u>	<u>\$ 2,490,921</u>

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

<u>Due From</u>	<u>Description</u>	<u>2010</u>	<u>2009</u>
SMIF	Interest Income	\$ 11,052	\$ 22,207
Hospital Building Fund	Refund of Overpayment	<u>2</u>	<u>24,645</u>
Total		<u>\$ 11,054</u>	<u>\$ 46,852</u>

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>2010</u>	<u>2009</u>
Hospital Building Fund	Outstanding Expenditures	<u>\$ 82,952</u>	<u>\$ 78,827</u>

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

<u>Due To</u>	<u>Description</u>	<u>2010</u>	<u>2009</u>
Hospital Building Fund	Outstanding Expenditures	\$ 29,393	\$ 78,570
General Fund	Outstanding Expenditures		913
Service Revolving Fund	Outstanding Expenditures		<u>3</u>
Total		<u>\$ 29,393</u>	<u>\$ 79,486</u>

HEALTH PROFESSIONS EDUCATION FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

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 Foundation'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, 2010, 2009, and 2008, the Foundation was charged \$46,999, \$58,038, and \$59,350, 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.

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.

ADDITIONAL FINANCIAL INFORMATION

HEALTH PROFESSIONS EDUCATION FOUNDATION

COMBINING BALANCE SHEETS - SPECIAL REVENUE FUNDS

JUNE 30, 2010

	Registered Nurse Education	Mental Health Practitioner Education	Vocational Nurse Education	Mental Health Services	Total
ASSETS					
Cash and Cash Equivalents	\$ 4,377,711	\$ 1,384,246	\$ 687,830		\$ 6,449,787
Due from Other State Funds	6,025	1,951	950	\$ 4,814,325	4,823,251
Accounts Receivable	<u>246,012</u>	<u>6,490</u>	<u>4,685</u>		<u>257,187</u>
Total Assets	<u>\$ 4,629,748</u>	<u>\$ 1,392,687</u>	<u>\$ 693,465</u>	<u>\$ 4,814,325</u>	<u>\$ 11,530,225</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts Payable	\$ 89,038	\$ 48,256	\$ 8,016	\$ 1,028,025	\$ 1,173,335
Advanced Fee Collections	126,510	17,330	6,600		150,440
Reserve for Long-Term Receivables	222,037				222,037
Due to Other State Funds	<u>20,296</u>	<u>4,474</u>	<u>7,851</u>	<u>50,331</u>	<u>82,952</u>
Total Liabilities	<u>457,881</u>	<u>70,060</u>	<u>22,467</u>	<u>1,078,356</u>	<u>1,628,764</u>
Fund Balance:					
Reserved for Encumbrances	1,243,357	538,751	17,000	3,735,969	5,535,077
Reserved for Prepaid Items					
Unreserved	<u>2,928,510</u>	<u>783,876</u>	<u>653,998</u>		<u>4,366,384</u>
Total Fund Balance	<u>4,171,867</u>	<u>1,322,627</u>	<u>670,998</u>	<u>3,735,969</u>	<u>9,901,461</u>
Total Liabilities and Fund Balance	<u>\$ 4,629,748</u>	<u>\$ 1,392,687</u>	<u>\$ 693,465</u>	<u>\$ 4,814,325</u>	<u>\$ 11,530,225</u>

HEALTH PROFESSIONS EDUCATION FOUNDATION

COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - SPECIAL REVENUE FUNDS YEAR ENDED JUNE 30, 2010

	Registered Nurse Education	Mental Health Practitioner Education	Vocational Nurse Education	Mental Health Services	Total
REVENUES					
Surcharges for Professional Licensing Fees	\$ 1,741,645	\$ 314,480	\$ 177,244		\$ 2,233,369
Student Loan Repayments	57,289				57,289
Interest Income	37,749	9,058	4,336		51,143
Other Revenue					
Total Revenues	<u>1,836,683</u>	<u>323,538</u>	<u>181,580</u>		<u>2,341,801</u>
EXPENDITURES					
Student Financial Aid	1,697,721	282,102	68,000	\$ 956,795	3,004,618
Salaries and Benefits	124,984	44,207	41,127	199,553	409,871
Information Technology	(114)	(8)	(10)	7,858	7,726
Professional Services	66,724	3,006	2,978	31,499	104,207
Facilities Operations	30,038	3,741	6,154	30,296	70,229
General Expenses	7,332	28	46	1,334	8,740
Departmental Services	11,523			30,073	41,596
Travel	2,193	1,124	1,713	6,096	11,126
Central Administrative Services	9,837	1,361	1,172		12,370
Postage	1,336	500	541	3,547	5,924
Communications	32	2	3	311	348
Printing	802	49	69	858	1,778
Utilities	8		1	9	18
Training	1,446			534	1,980
Small Equipment				10,997	10,997
Other Operating	<u>33,627</u>	<u>16,932</u>	<u>9,932</u>		<u>60,491</u>
Total Expenditures	<u>1,987,489</u>	<u>353,044</u>	<u>131,726</u>	<u>1,279,760</u>	<u>3,752,019</u>
Excess (Deficiency) of Revenues Over Expenditures	(150,806)	(29,506)	49,854	(1,279,760)	(1,410,218)
OTHER FINANCING SOURCES					
Operating Transfers In				<u>2,768,855</u>	<u>2,768,855</u>
Excess of Revenues and Other Financing Sources over Expenditures	(150,806)	(29,506)	49,854	1,489,095	1,358,637
Fund Balance, Beginning	<u>4,322,673</u>	<u>1,352,133</u>	<u>621,144</u>	<u>2,246,874</u>	<u>8,542,824</u>
Fund Balance, Ending	<u>\$ 4,171,867</u>	<u>\$ 1,322,627</u>	<u>\$ 670,998</u>	<u>\$ 3,735,969</u>	<u>\$ 9,901,461</u>

HEALTH PROFESSIONS EDUCATION FOUNDATION

COMBINING STATEMENTS OF FIDUCIARY NET ASSETS

PRIVATE PURPOSE TRUST FUNDS

JUNE 30, 2010

	Health Professions Education	Medically Underserved Account	Total
ASSETS			
Cash and Cash Equivalents	\$ 1,964,048	\$ 6,089,032	\$ 8,053,080
Due from Other State Funds	2,856	8,198	11,054
Accounts Receivable	91,252	40,500	131,752
Prepaid Items		16,481	16,481
Fixed Assets, Net	746	1,673	2,419
Total Assets	<u>\$ 2,058,902</u>	<u>\$ 6,155,884</u>	<u>\$ 8,214,786</u>
LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts Payable	\$ 45,989	\$ 244,660	\$ 290,649
Advanced Fee Collections	1,279,177	1,349,700	2,628,877
Reserve for Long-Term Receivables	91,252		91,252
Due to Other State Funds	24,968	4,425	29,393
Total Liabilities	<u>1,441,386</u>	<u>1,598,785</u>	<u>3,040,171</u>
Held in Trust for Scholarships	<u>617,516</u>	<u>4,557,099</u>	<u>5,174,615</u>
Total Liabilities and Net Assets	<u>\$ 2,058,902</u>	<u>\$ 6,155,884</u>	<u>\$ 8,214,786</u>

HEALTH PROFESSIONS EDUCATION FOUNDATION

COMBINING STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS PRIVATE PURPOSE TRUST FUNDS YEAR ENDED JUNE 30, 2010

	Health Professions Education	Medically Underserved Account	Total
REVENUES			
Contributions and Grants	\$ 666,825	\$ 9,781	\$ 676,606
Surcharges for Professional Licensing Fees		1,691,360	1,691,360
Interest Income	18,882	32,058	50,940
Transfers In		1,000,000	1,000,000
Student Loan Repayments	<u>27,614</u>		<u>27,614</u>
Total Additions to Net Assets	<u>713,321</u>	<u>2,733,199</u>	<u>3,446,520</u>
EXPENSES			
Student Financial Aid	662,656	867,788	1,530,444
Salaries and Benefits	161,343	42,572	203,915
Information Technology	39,689	(1)	39,688
Professional Services	25,223	5,851	31,074
Facilities Operations	30,079	11,568	41,647
General Expenses	34,982	694	35,676
Departmental Services	11,381	5	11,386
Travel	14,594	138	14,732
Central Administrative Services	15,262		15,262
Postage	3,925	55	3,980
Communications	6,883	869	7,752
Depreciation	4,777	4,302	9,079
Printing	3,317	2,022	5,339
Utilities	42,718	3	42,721
Training	388	37	425
Other Operating	<u>33,988</u>	<u>(1,426)</u>	<u>32,562</u>
Total Deductions from Net Assets	<u>1,091,205</u>	<u>934,477</u>	<u>2,025,682</u>
Excess (Deficiency) of Revenues Over Expenses	(377,884)	1,798,722	1,420,838
Net Assets, Beginning	<u>995,400</u>	<u>2,758,377</u>	<u>3,753,777</u>
Net Assets, Ending	<u>\$ 617,516</u>	<u>\$ 4,557,099</u>	<u>\$ 5,174,615</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, 2010 and 2009, and have issued our report thereon dated January 31, 2011. 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 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 the Foundation's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Foundation's financial statements will not be prevented, or detected and corrected on a timely basis.

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

To the Board of Trustees of
Health Professions Education Foundation
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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

January 31, 2011