



**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED
JUNE 30, 2018**

CALIFORNIA HEALTH COLLABORATIVE
FRESNO, CALIFORNIA

JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
California Health Collaborative
Fresno, California

We have audited the accompanying financial statements of California Health Collaborative (the "Agency"), which comprise the statement of financial position as of June 30, 2018 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of California Health Collaborative as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2019, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Price Pange & Company

Clovis, California
January 24, 2019

**CALIFORNIA HEALTH COLLABORATIVE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018**

Assets

Current assets:	
Cash and cash equivalents	\$ 1,516,720
Grants receivable	1,446,696
Prepaid expenses and other assets	<u>81,161</u>
Total current assets	3,044,577
Property and equipment, net of accumulated depreciation	94,520
Investments	<u>686,988</u>
Total assets	<u><u>\$ 3,826,085</u></u>

Liabilities and Net Assets

Current liabilities:	
Accounts payable	\$ 519,140
Accrued payroll and related expenses	422,614
Unearned revenue	<u>1,349,119</u>
Total current liabilities	2,290,873
Line of credit	<u>361,875</u>
Total liabilities	<u>2,652,748</u>
Net assets:	
Unrestricted	1,066,658
Temporarily restricted	<u>106,679</u>
Total net assets	<u>1,173,337</u>
Total liabilities and net assets	<u><u>\$ 3,826,085</u></u>

**CALIFORNIA HEALTH COLLABORATIVE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

	Unrestricted	Temporarily Restricted	Total
Revenues and support:			
Grant revenue	\$ 6,682,610	\$ -	\$ 6,682,610
Charges for services	451,586	-	451,586
Donations	-	62,893	62,893
Investment gains/losses, net	76,779	-	76,779
Other income	77,398	-	77,398
Total revenues and support before net assets released from restrictions	7,288,373	62,893	7,351,266
Net assets released from restrictions	39,342	(39,342)	-
Total revenues and support	7,327,715	23,551	7,351,266
Expenses:			
Program services:			
Cancer programs	2,301,556	-	2,301,556
Tobacco programs	1,330,261	-	1,330,261
Maternal Child programs	504,308	-	504,308
PATH Marijuana Prevention	288,252	-	288,252
Lock It Up	282,325	-	282,325
Nutrition programs	273,145	-	273,145
Medical services	1,231,123	-	1,231,123
Other programs	270,699	-	270,699
Total program services	6,481,669	-	6,481,669
Support services:			
Management and general expenses	823,003	-	823,003
Total expenses	7,304,672	-	7,304,672
Changes in net assets	23,043	23,551	46,594
Net assets, beginning of year	1,043,615	83,128	1,126,743
Net assets, end of year	\$ 1,066,658	\$ 106,679	\$ 1,173,337

**CALIFORNIA HEALTH COLLABORATIVE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018**

	Program Services								Support Services	Totals	
	Cancer Programs	Tobacco Programs	Maternal Child Programs	PATH Marijuana Prevention	Lock It Up	Nutrition Programs	Medical Services	Other Programs	Total Program Services		Management and General Expenses
<u>Expenses</u>											
Salaries and benefits	\$ 1,920,616	\$ 756,049	\$ 341,020	\$ 212,144	\$ 203,222	\$ 228,721	\$ 720,726	\$ 200,725	\$ 4,583,223	\$ 434,074	\$ 5,017,297
Facilities expense	81,940	105,204	34,725	20,472	19,307	14,256	62,440	7,060	345,404	101,463	446,867
Office expense	91,351	91,386	21,051	17,723	15,384	15,247	73,892	12,654	338,688	51,757	390,445
Travel and training	43,461	51,599	11,362	17,578	16,135	5,714	20,297	12,638	178,784	23,994	202,778
Purchased services / subs	164,032	321,743	95,317	8,293	25,133	1,747	353,323	35,874	1,005,462	104,525	1,109,987
Other expenses	156	4,280	833	12,042	3,144	7,460	445	1,748	30,108	71,906	102,014
Depreciation expense	-	-	-	-	-	-	-	-	-	31,821	31,821
Bad debt expense	-	-	-	-	-	-	-	-	-	3,463	3,463
Total expenses	<u>\$ 2,301,556</u>	<u>\$ 1,330,261</u>	<u>\$ 504,308</u>	<u>\$ 288,252</u>	<u>\$ 282,325</u>	<u>\$ 273,145</u>	<u>\$ 1,231,123</u>	<u>\$ 270,699</u>	<u>\$ 6,481,669</u>	<u>\$ 823,003</u>	<u>\$ 7,304,672</u>

**CALIFORNIA HEALTH COLLABORATIVE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018**

Cash flows from operating activities:	
Change in net assets	\$ 46,594
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:	
Depreciation	31,821
Unrealized gain	(62,205)
Bad debt expense	3,463
Changes in operating assets and liabilities:	
Grants receivable	(295,306)
Prepaid expenses and other assets	427
Accounts payable	(59,595)
Accrued payroll and related expenses	(10,480)
Unearned revenue	<u>1,223,997</u>
Net cash provided by operating activities	<u>878,716</u>
Cash flows from investing activities:	
Purchase of property and equipment	(57,482)
Purchase of investments	(23,375)
Proceeds from sale of investments	<u>483,966</u>
Net cash provided by investing activities	<u>403,109</u>
Cash flows from financing activities:	
Advances on line of credit	465,000
Principal payments on line of credit	<u>(539,369)</u>
Net cash used in financing activities	<u>(74,369)</u>
Net increase in cash and cash equivalents	1,207,456
Cash and cash equivalents, beginning of year	<u>309,264</u>
Cash and cash equivalents, end of year	<u>\$ 1,516,720</u>
 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:	
Interest paid	<u>\$ 29,505</u>

**CALIFORNIA HEALTH COLLABORATIVE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 – ORGANIZATION AND OPERATIONS

California Health Collaborative (the “Agency”) is a nonprofit organization incorporated in the State of California in 1982. The Agency primarily conducts activities funded by governmental contracts and private foundation grants, which are intended to promote the development and accessibility of needed health services, and improve the planning and coordination of services among providers and consumers of health services. The Agency is also funded by fee-for-service programs and investment activities.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Agency have been prepared on the accrual basis of accounting and conformed to accounting principles generally accepted in the United States of America.

Basis of Presentation

The accompanying financial statements are presented based on unrestricted, temporarily restricted, and permanently restricted net assets. At June 30, 2018, the Agency had no permanently restricted net assets.

Cash and Cash Equivalents

Cash and cash equivalents consist of various demand and interest-bearing accounts on deposit with insured financial institutions. The Agency considers all investments with an original maturity of three months or less to be cash equivalents.

Investment Securities

Investment securities are stated at their estimated fair value based on quoted closing prices. Investment income, including unrealized gains and losses, interest, dividends and related items are recognized in the Statement of Activities as they are incurred.

Fair Value of Financial Instruments

The Agency considers its cash and cash equivalents, accounts and grants receivable, prepaid and other assets, accounts payable and accrued expenses to be short-term in nature, and therefore their fair values approximate their carrying values.

Grants Receivable and Allowance for Doubtful Accounts

Grants are stated at unpaid balances and are primarily contracts from funding sources for services performed under cost reimbursement or exchange contracts.

The Agency considers an allowance for doubtful accounts based upon management’s review and analysis of specific receivables and considers the age of past due accounts. Grants receivables are written-off when deemed uncollectible. Recoveries of grants receivable previously written-off or changes in allowance estimates are recognized as income when received or recorded. At June 30, 2018, the Agency believes that all receivables are collectable and did not have an allowance for doubtful accounts. The Agency incurred \$3,463 of bad debt expense during the year ended June 30, 2018.

**CALIFORNIA HEALTH COLLABORATIVE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Contributed property and equipment are recorded at fair value on the date of donation. Contributions of property and equipment are recorded as unrestricted support, unless the donor stipulates how long the assets must be used. Routine repair and maintenance, including planned major maintenance activities are expensed when incurred.

The Agency has set the capitalization threshold for reporting property and equipment at \$5,000.

Property and equipment are capitalized at cost and depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Furniture and equipment	1 to 4 Years
Computer hardware	1 to 3 Years
Transportation equipment	5 Years
Leasehold improvements	10 Years

In the event of contract termination, certain funding sources require title of property and equipment previously purchased with grant funds to revert to the funding source. Certain funding sources also limit the use of property and equipment from the funding source.

Contributions and Grants

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor restrictions.

Grants that are determined to be exchange transactions are classified as deferred revenue until expended for the purposes of the grants.

In-Kind Contributions

Certain grant programs require the Agency to report in-kind contributions as required by their contracts. In-kind contributions consist primarily of donated materials, facilities and services. Materials and facilities are recorded based upon current fair market value. Contributed services are recognized as revenue if the services create or enhance non-financial assets or require specialized skills. The Agency did not receive in-kind contributions during the year ended June 30, 2018.

Several individuals volunteer their time and perform a variety of tasks in conjunction with the Agency's programs. No amounts have been reflected in the financial statements for these donated services since the volunteers' time does not meet the criteria for recognition under current accounting standards.

Accrued Compensated Absences

The Agency provides its employees with vacation, sick and other leave benefits in accordance with its policies. The Agency's costs for these benefits are expensed as they are vested in the employee. Sick leave is not vested and therefore, not paid or accrued.

**CALIFORNIA HEALTH COLLABORATIVE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Marketing and Advertising

The Agency expenses all marketing and advertising costs as incurred. There were no marketing and advertising costs for the year ended June 30, 2018.

Functional Allocation of Expenses

The cost of providing the Agency's various charitable and general services have been summarized on a functional basis in the accompanying Statement of Activities. Accordingly, direct and indirect expenses have been allocated to program services based on their specific identification or the personnel resources utilized in such activities. Management and general include those expenses that are not directly identifiable with any specific program but provide for the overall support and direction of the Agency.

Use of Estimates

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

Income Tax Status

The Agency has qualified as a non-profit organization and has been granted tax-exempt status pursuant to Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d) and is exempt from Federal and State of California income taxes.

Generally accepted accounting principles provides accounting and disclosures guidance about positions taken by an entity in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Agency's returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consists of the following at June 30, 2018:

Business checking and petty cash	\$ 1,490,989
Money market funds	<u>25,731</u>
Total cash and cash equivalents	<u>\$ 1,516,720</u>

The Agency occasionally obtains grants that require all funding be held in a bank account separate from the Agency's other cash and equivalents. There were no grants that required cash to be maintained separately at June 30, 2018.

**CALIFORNIA HEALTH COLLABORATIVE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 – INVESTMENTS

Current accounting standards prioritize the inputs used in measuring fair value into the following hierarchy:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable;
- Level 3 Unobservable inputs which are supported by little or no market activity.

Investments held at June 30, 2018 are presented at their fair value and are classified as Level 1 because these securities are valued using quoted market prices and other relevant information generated by market transactions. Investments measured at fair value on a recurring basis consist of the following at June 30, 2018:

Investments at Fair Value as Determined by Quoted Market Prices (Level 1)

Stocks and ETFs	\$ 500,774
Fixed income securities	93,141
Mutual funds	<u>93,073</u>
	<u>\$ 686,988</u>

Unrealized and realized gains and losses from investments purchased, sold and held during the year are recorded in investment income along with interest and dividends in the Statement of Activities. Investment income for the year ended June 30, 2018 consists of the following:

Interest and dividends	\$ 23,375
Unrealized gain	62,205
Investment fees	<u>(8,801)</u>
	<u>\$ 76,779</u>

NOTE 5 – CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Agency to concentrations of credit risk consist principally of cash balances in excess of the United States Federal Deposit Insurance Corporation (FDIC) insured \$250,000 limit. At June 30, 2018, the Agency had cash balances of \$1,282,717 in excess of federally insured limits.

The Agency has not experienced any losses in such accounts and management believes the Agency is not exposed to any significant credit risk related to cash.

**CALIFORNIA HEALTH COLLABORATIVE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 6 – PROPERTY AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION

Property and equipment at June 30, 2018 consists of the following:

Furniture and equipment	\$ 65,772
Computer and related	213,582
Transportation equipment	16,949
Leasehold improvements	13,473
	<hr/>
	309,776
Less accumulated depreciation	<hr/> (215,256)
Property and equipment, net	<hr/> <u>\$ 94,520</u>

Depreciation expense on property and equipment purchased with Agency funds for the year ended June 30, 2018 was \$31,821.

NOTE 7 – UNEARNED REVENUE

Unearned revenue consists of funds received from grants in advance of grant expenditures. Unearned revenue as of June 30, 2018 consists of the following:

Tulare County Youth Program	\$ 2,867
St Agnes Diabetes	9,327
San Bernardino Tobacco	1,113,875
Merced County Tobacco	191,175
Kaiser Perinatal Mental Health	30,950
Circulo de Vida	925
	<hr/>
	<u>\$ 1,349,119</u>

NOTE 8 – LINE OF CREDIT

The Agency has a Priority Credit Line (“PCL”) with Wells Fargo Bank, N.A. The line is secured by the Agency's investment accounts and shall not at any time exceed the sum of the loanable values in the investment account. PCL bears interest at a base interest rate of 5.75% as of June 30, 2018. Outstanding balance PCL as of June 2018 was \$361,875. There is no set expiration date for the credit line.

NOTE 9 – RETIREMENT PLAN

The Agency has a defined contribution plan covering all employees who have completed the minimum eligibility service requirements. Vesting occurs at 20% for the first year of eligibility and at 20% increments each year thereafter. The Agency contributes 5% of the participant's compensation and an additional matching contribution up to 3% of a participant's compensation. Each participant may elect to have compensation reduced up to 15%. The Agency's contribution for the year ended June 30, 2018 was \$249,075 and is included in “salaries and benefits” in the Statement of Functional Expenses.

**CALIFORNIA HEALTH COLLABORATIVE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 10 – LEASE COMMITMENTS

The Agency leases office facilities and equipment under various non-cancelable operating leases. During March 2017, the Agency renegotiated the terms of its existing operating lease on its administrative offices and reduced the amount rental space. The amendment to the existing lease agreement had the effect of reducing the total square footage rental space but extending the lease term through 2026. Because of the renegotiation, the Agency was required to pay \$91,000 as a contract amendment fee and incurred approximately \$47,600 in additional legal and consulting costs. The Agency has capitalized these costs and has offset the deferred rent liability of approximately \$117,000, for a net balance of \$21,068 at June 30, 2017. The net balance is recognized as rental expense and amortized over the remainder of the lease contract.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of June 30 are as follows:

<u>Year Ending</u>	<u>Operating</u>
2019	\$ 362,607
2020	302,112
2021	270,707
2022	176,013
2023	172,140
Thereafter	414,332
	<u>\$ 1,697,911</u>

Total rent expense for all leases for the year ended June 30, 2018 was \$446,101.

NOTE 11 – CONTINGENCIES

Amounts received from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the Agency. The amount, if any, of expenditures, which may be disallowed by the grantor, cannot be determined at this time, although the Agency expects such amounts, if any, to be immaterial.

NOTE 12 – GRANT REVENUE

The Agency primarily conducts activities funded by governmental contracts and private foundation grants. The Agency also receives revenue for other services performed, such as abstracting. As of June 30, 2018, the Agency's grant revenues were broken out between federal and non-federal sourcing as follows:

Federal revenue	\$ 1,856,459
Non-federal revenue	<u>4,826,151</u>
	<u>\$ 6,682,610</u>

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated and concluded that there are no other subsequent events that have occurred from June 30, 2018 through the date the financial statements were available to be issued at January 24, 2019 that would require additional disclosure or adjustment.

SUPPLEMENTARY INFORMATION

**CALIFORNIA HEALTH COLLABORATIVE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor/Program Title Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Balance at June 30, 2018
<u>U.S. Department of Health and Human Services</u>			
Passed through the California Department of Health Services:			
Personal Responsibility Education Program	93.092	15-10302	\$ 124,708
Maternal and Child Health Services Block Grant	93.994	17-10113	139,428
Passed through the California Department of Aging:			
Medical Assistance Program:			
Multipurpose Senior Services Program	93.778	* MS-1718-53, MS-1718-55	<u>1,333,190</u>
Total U.S. Department of Health and Human Services			<u>1,597,326</u>
<u>U.S. Department of Agriculture</u>			
Passed through the California Department of Health Services:			
Supplemental Nutrition Assistance Program	10.551	16-697-1, 12585	<u>259,133</u>
Total U.S. Department of Agriculture			<u>259,133</u>
Total Expenditures of Federal Awards			<u>\$ 1,856,459</u>

**Denotes a major program per Uniform Guidance.*

**CALIFORNIA HEALTH COLLABORATIVE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

GENERAL

The accompanying Schedule of Expenditures of Federal Awards (SEFA) presents the activity of all federal award programs of the California Health Collaborative (the "Agency"). Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies are included in the schedule. The information in this SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

BASIS OF ACCOUNTING

The accompanying SEFA is presented using the accrual basis of accounting, which is described in Note 1 of the Agency's financial statements.

RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal award expenditures agree or can be reconciled with the amounts reported in the Agency's financial statements.

INDIRECT COST RATE

The Agency has elected not to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance. For specific contracts, the Agency may negotiate an alternative indirect cost rate of up to 25 percent.

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OTHER INDEPENDENT AUDITOR'S REPORTS

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

To the Board of Directors
California Health Collaborative
Fresno, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of California Health Collaborative (the "Agency"), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 24, 2019.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from 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

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determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Price Pange & Company

Clovis, California
January 24, 2019



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
California Health Collaborative
Fresno, California

Report on Compliance for Each Major Federal Program

We have audited California Health Collaborative's (the "Agency") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Agency's major federal program for the year ended June 30, 2018. The Agency's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Agency's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance 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 the Agency's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for major federal program. However, our audit does not provide a legal determination of the Agency's compliance.

Opinion on Each Major Federal Program

In our opinion, California Health Collaborative complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

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Report on Internal Control Over Compliance

Management of California Health Collaborative is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Agency's internal control over compliance with the types of requirements that could have a direct and material effect on major federal program to determine the auditing procedures, that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 the Agency's internal control over compliance.

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

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

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

Price Pange & Company

Clovis, California
January 24, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**CALIFORNIA HEALTH COLLABORATIVE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:
 Material weaknesses identified? _____ Yes X No

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

Noncompliance material to 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

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

Any audit findings disclosed that are required to be reported in accordance with 2CFR section 200.516(a) _____ Yes X No

Identification of Major Programs

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.778	Medical Assistance Program
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as a low-risk auditee?	<u> X </u> Yes _____ No

SECTION II – FINANCIAL STATEMENT FINDINGS

None reportable.

SECTION III – FEDERAL AWARD FINDINGS

None reportable.

**CALIFORNIA HEALTH COLLABORATIVE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

FINANCIAL STATEMENT FINDINGS

None reportable.

FEDERAL AWARD FINDINGS

None reportable.