

MARICOPA HEALTH FOUNDATION

**FINANCIAL STATEMENTS AND
AUDITOR'S REPORT**

YEAR ENDED DECEMBER 31, 2011

August 10, 2012

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**MARICOPA HEALTH FOUNDATION
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Chamber of
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Rural Water
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Maricopa Health Foundation

We have audited the accompanying statement of financial position of Maricopa Health Foundation (a nonprofit organization) as of December 31, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Maricopa Health Foundation's 2010 financial statements and, in our report dated March 10, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Maricopa Health Foundation as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Lumbard & Associates, PLLC

Phoenix, Arizona
August 10, 2012

**MARICOPA HEALTH FOUNDATION
STATEMENT OF FINANCIAL POSITION
December 31, 2011 and 2010**

	2011	2010
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 610,067	\$ 1,034,020
Accounts receivable	28,871	-
Pledges receivable - current	738,750	501,875
Prepaid expenses	23,453	-
	1,401,141	1,535,895
PROPERTY AND EQUIPMENT		
Technology	19,559	15,802
Furniture and fixtures	49,538	-
Other equipment	105,412	49,318
Leasehold improvements	3,396	-
Less: Accumulated depreciation / amortization	(46,103)	(3,160)
	131,802	61,960
OTHER ASSETS		
Investments	95,988	-
Pledges receivable, noncurrent (net of discount)	748,284	1,099,007
	844,272	1,099,007
TOTAL ASSETS	\$ 2,377,215	\$ 2,696,862
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 58,695	\$ 69,034
Due to Maricopa Integrated Health System	107,627	254,083
	166,322	323,117
TOTAL LIABILITIES	166,322	323,117
NET ASSETS		
Unrestricted - Undesignated	2,085,945	2,254,078
Temporarily restricted	121,448	116,167
Permanently restricted	3,500	3,500
	2,210,893	2,373,745
TOTAL LIABILITIES AND NET ASSETS	\$ 2,377,215	\$ 2,696,862

Read the accompanying notes to the financial statements.

**MARICOPA HEALTH FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2011
with Comparative Totals for 2010**

	2011				2010
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL	RESTATED TOTALS
<u>REVENUES AND OTHER SUPPORT</u>					
Contributions	\$ 232,137	\$ 260,095	\$ -	\$ 492,232	\$ 1,585,006
Grants	-	352,398	-	352,398	219,903
Special events	372,789	-	-	372,789	229,475
Less: Direct Donor Benefits	(80,092)	-	-	(80,092)	(54,418)
Interest income	3,129	-	-	3,129	2,176
Other income	-	27,890	-	27,890	12,955
In-Kind Donations	89,495	46,150	-	135,645	107,752
Net assets released from restriction	681,252	(681,252)	-	-	-
TOTAL REVENUES AND OTHER SUPPORT	1,298,710	5,281	-	1,303,991	2,102,849
<u>EXPENSES</u>					
Program services	878,191	-	-	878,191	948,433
General and administrative	514,453	-	-	514,453	419,811
Fundraising	74,199	-	-	74,199	73,751
TOTAL EXPENSES	1,466,843	-	-	1,466,843	1,441,995
CHANGE IN NET ASSETS	(168,133)	5,281	-	(162,852)	660,854
NET ASSETS, Beginning of year	2,254,078	116,167	3,500	2,373,745	1,712,891
NET ASSETS, End of year	\$ 2,085,945	\$ 121,448	\$ 3,500	\$ 2,210,893	\$ 2,373,745

Read the accompanying notes to the financial statements.

MARICOPA HEALTH FOUNDATION
STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (162,852)	\$ 660,854
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	42,943	3,160
Realized and Unrealized (Gain)/Loss on investment	4,013	-
(Increase)/decrease in:		
Accounts receivable	(28,871)	6,955
Pledges receivable (net of discount)	113,848	(685,145)
Prepaid expenses	(23,453)	5,000
(Decrease)/increase in:		
Accounts payable and accrued expenses	(10,339)	26,299
Due to Maricopa Integrated Health Systems	(146,456)	192,794
NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES	(211,167)	209,917
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investment	(100,000)	-
Purchase of property and equipment	(112,786)	(49,318)
NET CASH USED IN INVESTING ACTIVITIES	(212,786)	(49,318)
Net increase/(decrease) in cash and cash equivalents	(423,953)	160,599
Cash and cash equivalents at beginning of period	1,034,020	873,421
Cash and cash equivalents at end of period	\$ 610,067	\$ 1,034,020
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ -	\$ -

Read the accompanying notes to the financial statements.

**MARICOPA HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Maricopa Health Foundation (the Foundation) was incorporated in the state of Arizona in 1994 as a non-profit corporation. The Foundation was established to provide philanthropic support of Maricopa Integrated Health System (MIHS) programs, education, research, and capital improvement projects that advance patient welfare and improve health care in the community. The Foundation is funded by donations, pledges, grants, and other fundraising activities.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables and other assets and liabilities. Revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2010, from which the summarized information was derived.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958-205, *Presentation of Financial Statements of Not-for-Profit Entities*. Under ASC 958-205, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets represent resources over which the Board of Directors has discretionary control and are used to carry out operations of the Foundation in accordance with its bylaws.

Temporarily restricted net assets represent resources currently available for use, but expendable only for those operating purposes specified by the donor or grantor.

Permanently restricted net assets represent resources subject to donor-imposed stipulations that must be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on the related investments for general or specific purposes.

**MARICOPA HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

Income Tax Status

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code of 1954, as amended, and from state income taxes under Arizona Revised Statutes. In addition, the Foundation has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a).

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Foundation considers short-term investments with original maturities of less than ninety days and all certificates of deposit to be cash equivalents.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Property and Equipment and Related Depreciation/Amortization

Equipment and furniture and software are recorded at cost. Donated assets are recorded at the estimated fair value at the date of gift to the Foundation. Donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. The Foundation's practice is to capitalize assets costing more than \$1,000. Depreciation is calculated on the straight line basis for all assets over their estimated useful life.

Impairment of Long-Lived Assets

The Foundation accounts for long-lived assets in accordance with ASC 360-10-50, *Impairment or Disposal of Long-Lived Assets*. ASC 360-10-50 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by the amount by which the carrying amount of assets exceeds the fair value of assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell. Management does not believe impairment indicators are present.

**MARICOPA HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Grant Revenues

The Foundation accounts for contributions, grants, and investment revenues in accordance with the recommendations of the Financial Accounting Standards Board in ASC 958-605-50, *Revenue Recognition for Contributions Received*. In accordance with ASC 958-605-50, contributions are recognized as revenues or gains in the period in which they are received, and grant revenues and investment income received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor or grantor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

NOTE 2 – CASH AND CASH EQUIVALENTS

The Foundation maintains its cash in bank accounts which, at times, may exceed the federally insured limits. As of December 31, 2011, the Foundation's bank balances exceeded the federally insured limits by approximately \$3,056.

NOTE 3 – PLEDGES RECEIVABLE

Pledges to give (net of an 8% discount rate) at December 31, 2011, were as follows:

Year Ending December 31,	Unconditional Pledges	Conditional Pledges	Total Pledges
2011	\$ 213,750	\$ -	\$ 213,750
2012	275,000	250,000	525,000
2013	275,000	250,000	525,000
2014	20,000	250,000	270,000
2015-2016	40,000	-	40,000
	<hr/>	<hr/>	<hr/>
Total	823,750	750,000	1,573,750
Less: 8% discount	(32,532)	(54,184)	(86,716)
	<hr/>	<hr/>	<hr/>
Net total	<u>\$ 791,218</u>	<u>\$ 695,816</u>	<u>\$ 1,487,034</u>

All pledges were considered to be collectible, and, therefore, no allowance for doubtful accounts has been accrued.

Pledges receivable include a conditional pledge of \$750,000. The conditions include raising additional gifts and pledges totaling \$1 million in 2012 and cumulative total gifts and pledges of \$4.5 million no later than 2016. An additional condition of the pledge was the hiring of fund development staff in 2011 which has been met. Management expects to meet the remaining conditions of the pledge.

**MARICOPA HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 4 – PROPERTY AND EQUIPMENT

A summary of property and equipment activity for the year ended December 31, 2011 follows:

	Balance 12/31/2010	Additions	Deletions	Balance 12/31/2011
Technology	\$ 15,802	\$ 3,757	\$ -	\$ 19,559
Leasehold improvement	-	3,396	-	3,396
Furniture & Fixtures	-	49,538	-	49,538
Other Equipment	49,318	56,094	-	105,412
Total Property & Equipment	65,120	112,785	-	177,905
Less:				
Accumulated amortization	(3,160)	(3,787)	-	(6,947)
Accumulated depreciation	-	(39,156)	-	(39,156)
Total accumulated depreciation/amortization	(3,160)	(42,943)	-	(46,103)
Property & Equipment, net	\$ 61,960	\$ 69,842	\$ -	\$ 131,802

Depreciation/amortization expense for the year ended December 31, 2011 was \$42,943, all of which was reflected in the change in net assets.

NOTE 5 – DUE TO MARICOPA INTEGRATED HEALTH SYSTEM

Certain Foundation employee salaries and benefits are paid by MIHS and billed to the Foundation. For the year ended December 31, 2011, the Foundation owed MIHS \$107,627 for grant expenses and salaries and benefits paid to Foundation employees.

NOTE 6 – CONCENTRATION OF RISK

Promises to give consist of five separate donors, with 48% of total promises from one donor and 41% from another donor. Loss of these funds could adversely affect the Foundation.

NOTE 7 – CONTINGENT LIABILITIES

The Foundation was not involved, as of the close of field work, in any pending or threatened litigation that could materially affect the Foundation's financial position and results of operations at December 31, 2011.

**MARICOPA HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 8 – RETIREMENT BENEFITS

The Foundation does not provide retirement or post-retirement benefits.

NOTE 9 – RELATED PARTY TRANSACTIONS

During the year ended December 31, 2011, the Foundation received donated facilities and personnel from MIHS. A portion of the salaries, related payroll taxes and other employee benefits for the President and Financial Advisor of the Foundation were paid by MIHS as a donation to the Foundation of \$73,244.

MIHS owns the building in which the Foundation's administrative office were located until June 2011 and permitted the Foundation to utilize the space at no charge. The estimated value of the usage is \$1,700 per year, which is not material to the financial statements.

NOTE 10 – RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets, at December 31, 2011, consisted of \$121,448 of contributions and grants to be used for patient and hospital care.

NOTE 11 – INVESTMENTS

During the year ended December 31, 2011, the Foundation placed \$100,000 on account with the Arizona Community Foundation. This amount was to establish the Foundation's investment accounts in an intermediate risk pool which seeks capital appreciation with lower risk over a time horizon of three to seven years. The intermediate pool invests 51% in equities and 49% in fixed income funds. During the year, Foundations investments have been subject to various gains/losses as well as interest/dividends and administrative fees. Following is a summary of these items:

Contributions	\$ 100,000
Realized Gains/(Losses)	2,045
Unrealized Gains/(Losses)	(7,220)
Investment Pool Dividends/Interest	1,780
Administrative Fees	<u>(617)</u>
Net Investment Value	<u>\$ 95,988</u>

NOTE 14 – PRIOR PERIOD RESTATEMENT

Management has reclassified \$54,418 of direct donor benefits on the Statement of Activities for 2010 which were previously included in funding raising expense to segregate reporting of these expenses. There is no cumulative effect to the overall change in net assets.

NOTE 13 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date of the audit report, August 10, 2012, and there were no other subsequent events identified that require disclosure.