

MOSSES ADAMS

PUBLIC HEALTH INSTITUTE
INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
WITH OMB CIRCULAR A-133 AUDIT REPORTS
DECEMBER 31, 2009 AND 2008

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT	1
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FINANCIAL STATEMENTS

Statements of Financial Position.....	2
Statements of Activities.....	3
Statements of Cash Flows.....	4
Notes to Financial Statements.....	5

SINGLE AUDIT

Schedule of Expenditures of Federal Awards.....	10
Notes to Schedule of Federal Awards.....	12
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>	13
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	14
Schedule of Findings and Questioned Costs.....	16

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Public Health Institute

We have audited the accompanying statements of financial position of the Public Health Institute (the "Institute"), a nonprofit organization, as of December 31, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Institute'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 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the Institute's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 the Institute as of December 31, 2009 and 2008, and the changes in its net assets and its cash flows 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 June 17, 2010, on our consideration of the Institute'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 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 audit was conducted for the purpose of forming an opinion on the basic financial statements of the Institute, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic 2009 financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic 2009 financial statements taken as a whole.



San Francisco, California
June 17, 2010

FINANCIAL STATEMENTS

PUBLIC HEALTH INSTITUTE
STATEMENTS OF FINANCIAL POSITION
December 31, 2009 and 2008

ASSETS

	<u>2009</u>	<u>2008</u>
Cash and cash equivalents	\$ 17,596,699	\$ 22,438,367
Grants and contracts receivable, net	13,508,441	19,322,477
Other assets	891,414	765,958
Furniture, equipment, and computer software at cost, net of accumulated depreciation	<u>69,965</u>	<u>73,833</u>
Total assets	<u><u>\$ 32,066,519</u></u>	<u><u>\$ 42,600,635</u></u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	\$ 4,272,324	\$ 6,139,428
Other accrued liabilities	3,967,028	3,799,405
Accrued vacation	3,531,502	3,058,910
Contract advances	<u>5,368,757</u>	<u>10,237,140</u>
Total liabilities	<u>17,139,611</u>	<u>23,234,883</u>
Net assets		
Unrestricted		
Undesignated	2,353,910	3,075,260
Board designated	1,892,358	1,691,147
Temporarily restricted	<u>10,680,640</u>	<u>14,599,345</u>
Total net assets	<u>14,926,908</u>	<u>19,365,752</u>
Total liabilities and net assets	<u><u>\$ 32,066,519</u></u>	<u><u>\$ 42,600,635</u></u>

See accompanying notes.

PUBLIC HEALTH INSTITUTE
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2009 and 2008

	2009			2008		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES						
Grants and contracts	\$ 91,882,358	\$ -	\$ 91,882,358	\$ 88,462,857	\$ -	\$ 88,462,857
Contributions received in advance of expenses	213,789	3,491,065	3,704,854	-	14,599,345	14,599,345
Other income	207,128	-	207,128	526,056	-	526,056
Satisfaction of program restrictions	7,409,770	(7,409,770)	-	2,717,805	(2,717,805)	-
Total revenues	99,713,045	(3,918,705)	95,794,340	91,706,718	11,881,540	103,588,258
EXPENSES						
Direct expenses						
Salaries, wages and benefits	47,047,775	-	47,047,775	41,404,300	-	41,404,300
Professional services	6,576,861	-	6,576,861	5,958,271	-	5,958,271
Travel	6,008,681	-	6,008,681	4,500,740	-	4,500,740
Occupancy	2,716,422	-	2,716,422	2,047,182	-	2,047,182
Supplies	3,304,506	-	3,304,506	2,666,424	-	2,666,424
Training and professional development	1,914,044	-	1,914,044	1,908,101	-	1,908,101
Publications and printing	621,029	-	621,029	1,568,025	-	1,568,025
Program support international - foundation	929,444	-	929,444	966,180	-	966,180
Temporary help	1,068,232	-	1,068,232	871,058	-	871,058
Communications	658,738	-	658,738	704,311	-	704,311
Postage and delivery	117,822	-	117,822	120,755	-	120,755
Subcontracts and grants	15,593,958	-	15,593,958	17,210,628	-	17,210,628
Other	451,192	-	451,192	811,165	-	811,165
Total direct expenses	87,008,704	-	87,008,704	80,737,140	-	80,737,140
Indirect expenses						
Allocated	12,499,950	-	12,499,950	11,031,593	-	11,031,593
Unallocated	724,530	-	724,530	1,457,639	-	1,457,639
Total indirect expenses	13,224,480	-	13,224,480	12,489,232	-	12,489,232
Total expenses	100,233,184	-	100,233,184	93,226,372	-	93,226,372
Change in net assets	(520,139)	(3,918,705)	(4,438,844)	(1,519,654)	11,881,540	10,361,886
Net assets, beginning of year	4,766,407	14,599,345	19,365,752	6,286,061	2,717,805	9,003,866
Net assets, end of year	\$ 4,246,268	\$ 10,680,640	\$ 14,926,908	\$ 4,766,407	\$ 14,599,345	\$ 19,365,752

See accompanying notes.

PUBLIC HEALTH INSTITUTE
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (4,438,844)	\$ 10,361,886
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	23,868	42,796
Change in allowance for doubtful accounts	700,000	1,254,889
Change in operating assets and liabilities		
Grants and contracts receivable	5,114,036	(2,971,040)
Other assets	(125,456)	(239,381)
Accounts payable	(1,867,104)	1,863,159
Other accrued liabilities	167,623	(391,004)
Accrued vacation	472,592	332,183
Contract advances	(4,868,383)	(5,212,505)
Net cash from operating activities	<u>(4,821,668)</u>	<u>5,040,983</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture, equipment, and computer software	<u>(20,000)</u>	<u>(45,610)</u>
Net cash from investing activities	<u>(20,000)</u>	<u>(45,610)</u>
Net change in cash and cash equivalents	(4,841,668)	4,995,373
CASH AND CASH EQUIVALENTS, beginning of year	<u>22,438,367</u>	<u>17,442,994</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 17,596,699</u>	<u>\$ 22,438,367</u>

See accompanying notes.

NOTE 1 – DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business – The Public Health Institute (the “Institute”) is a nonprofit organization founded in 1964 and incorporated under the laws of the State of California. Working in close partnership with personnel from state, local and voluntary agencies, the Institute engages in public health research, education, and intervention activities.

The corporate articles of incorporation also provide for developing and increasing the health resources of the State of California Department of Health Services (now Department of Public Health) by implementing and financing the conduct of studies and research into the causes, nature, prevention and treatment of diseases, disorders and defects of importance to the public health and studies and research into health services and the delivery thereof.

The Institute has no shareholders and no permanent endowment. Income consists primarily from conducting investigative projects for public and private organizations. The Institute actively solicits government grants and contracts as well as awards from private corporations and philanthropic foundations to pursue health research goals.

Income Taxes – The Institute is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code and from state income and franchise taxes under Section 23701d of the California Revenue and Taxation Code except to the extent of unrelated business taxable income as defined under IRC sections 511 through 515.

The Institute is required to evaluate uncertain tax positions whereby the effect of the uncertainty would be recorded if the outcome was considered probable and reasonably estimable. As of December 31, 2009 and 2008, the Institute had no uncertain tax positions requiring accrual. Continuance of such exemption is subject to compliance with regulations and review of activities by taxing authorities. The Institute is not aware of any transactions that would affect its tax-exempt status.

Basis of Presentation – The financial statements include all accounts of the Institute recorded on an accrual basis of accounting.

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

Net Asset Classifications – The Institute 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. For financial statement purposes, all financial transactions are reported by the following net asset categories as prescribed for not-for-profit organizations by the Financial Accounting Standards Board.

Unrestricted – Unconditional promises to give by a donor without any use or time restrictions. Contributions with restrictions met in the same reporting period are reported as unrestricted.

Temporarily Restricted – Unconditional promises to give by a donor that specifies a specific use or the occurrence of a certain future event.

Permanently Restricted – Unconditional promises to give by a donor that specifies that the assets donated be invested to provide a permanent source of income. If the donor does not restrict the allowed use of the income, the organization may determine the income’s availability to the organization’s operations. The Institute has no permanently restricted net assets at December 31, 2009 and 2008.

The Board has designated certain unrestricted net assets to be used on specific projects.

Cash Equivalents – The Institute considers all highly liquid investments, with original maturities of three months or less when purchased, to be cash equivalents. The Institute maintains, from time to time, balances at a bank in excess of the federally insured limits. The Institute has not experienced any losses.

Furniture, Equipment, and Computer Software – Furniture, equipment, and computer software is recorded at cost if purchased and at fair-market value if donated. Depreciation is computed on a straight-line basis over estimated useful lives of five to seven years. The Institute capitalizes additions over \$5,000.

PUBLIC HEALTH INSTITUTE
NOTES TO FINANCIAL STATEMENTS

Grants and Contracts – Revenue from grants and contracts is recognized as temporarily restricted revenue if the grant is considered to be a contribution. Revenue from grants and contracts considered to be exchange transactions is recognized as expenditures are incurred.

Subcontractor – Subcontract costs are recorded as the costs are incurred.

Revenue and Accounts Receivable – Revenue has been recorded on the basis of the services performed, including amounts unbilled. At December 31, 2009 and 2008, approximately 67% and 84% of accounts receivable and 27% and 28% of revenue is the result of the contract with the State of California Department of Public Health. Due to certain write-offs of accounts receivable in prior years, management reviewed all receivables for collectability and established an allowance of \$2,150,000 and \$1,500,000 at December 31, 2009 and 2008, respectively.

Contributions Received in Advance of Expenses – Temporarily restricted funds (Contributions) are recognized as revenue in the year the funds are received which may be in advance of the expenses.

Contract Advances – The Institute receives advances on grants and contracts for services to be rendered in future periods. Such amounts are recognized as revenue when the service is delivered (Exchanges).

Compensated Absences – The Institute’s policy is to allow employees to accrue up to a maximum of 320 hours of vacation. As of December 31, 2009 and 2008, the liability for accrued vacation was \$3,531,502 and \$3,058,910, respectively.

FASB Codification – On July 1, 2009, the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) became the single authoritative source for nongovernmental U.S. generally accepted accounting principles (“GAAP”). The ASC supersedes all previous authoritative GAAP applicable to the Institute and is effective for interim and annual periods ended after September 15, 2009.

Subsequent Events – Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are issued. The Institute recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the financial position, including the estimates inherent in the process of preparing the financial statements. The Institute’s financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the financial position but arose after the financial position date and before financial statements are available to be issued.

The Institute has evaluated subsequent events through June 17, 2010, which is the date the financial statements are available to be issued.

**PUBLIC HEALTH INSTITUTE
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 – FUNCTIONAL EXPENSES

The following details functional expenses for the years ended December 31 2009 and 2008, respectively:

	2009						
	Program Services and Fundraising			Management and General			
	Program Services	Fundraising	Subtotal	PHI	ARG	Subtotal	Total
Salaries, wages, and benefits	\$ 47,045,122	\$ 2,653	\$ 47,047,775	\$ 8,211,922	\$ 428,304	\$ 8,640,226	\$ 55,688,001
Professional services	6,576,861	-	6,576,861	476,629	3,744	480,373	7,057,234
Travel	6,008,681	-	6,008,681	172,870	10,870	183,740	6,192,421
Occupancy	2,716,422	-	2,716,422	940,267	383,490	1,323,757	4,040,179
Supplies	3,304,358	148	3,304,506	441,743	45,971	487,714	3,792,220
Training and professional development	1,914,044	-	1,914,044	166,260	3,650	169,910	2,083,954
Publications and printing	615,055	5,974	621,029	109,152	19,464	128,616	749,645
Program support international - foundation	929,444	-	929,444	-	-	-	929,444
Temporary help	1,068,232	-	1,068,232	136,027	-	136,027	1,204,259
Communications	658,723	15	658,738	202,369	17,726	220,095	878,833
Postage and delivery	116,431	1,391	117,822	31,476	1,494	32,970	150,792
Subcontracts and grants	15,593,958	-	15,593,958	-	-	-	15,593,958
Bad debt expense	-	-	-	700,000	-	700,000	700,000
Other	450,897	295	451,192	719,674	1,378	721,052	1,172,244
Total	\$ 86,998,228	\$ 10,476	\$ 87,008,704	\$ 12,308,389	\$ 916,091	\$ 13,224,480	\$ 100,233,184

	2008						
	Program Services and Fundraising			Management and General			
	Program Services	Fundraising	Subtotal	PHI	ARG	Subtotal	Total
Salaries, wages and benefits	\$ 41,403,384	\$ 916	\$ 41,404,300	\$ 7,636,438	\$ 411,195	\$ 8,047,633	\$ 49,451,933
Professional services	5,958,271	-	5,958,271	415,804	3,973	419,777	6,378,048
Travel	4,500,740	-	4,500,740	197,596	7,464	205,060	4,705,800
Occupancy	2,047,182	-	2,047,182	603,411	378,369	981,780	3,028,962
Supplies	2,666,424	-	2,666,424	315,816	44,961	360,777	3,027,201
Training and professional development	1,907,606	495	1,908,101	144,827	1,701	146,528	2,054,629
Publications and printing	1,563,717	4,308	1,568,025	70,265	34,858	105,123	1,673,148
Program support international - foundation	966,180	-	966,180	-	-	-	966,180
Temporary help	871,058	-	871,058	150,063	(1,117)	148,946	1,020,004
Communications	704,311	-	704,311	63,862	19,369	83,231	787,542
Postage and delivery	119,054	1,701	120,755	36,587	1,578	38,165	158,920
Subcontracts and grants	17,210,628	-	17,210,628	-	-	-	17,210,628
Bad debt expense	-	-	-	1,254,890	-	1,254,890	1,254,890
Other	810,954	211	811,165	695,244	2,078	697,322	1,508,487
Total	\$ 80,729,509	\$ 7,631	\$ 80,737,140	\$ 11,584,803	\$ 904,429	\$ 12,489,232	\$ 93,226,372

NOTE 3 – FURNITURE, EQUIPMENT, AND COMPUTER SOFTWARE

Furniture, equipment, and computer software as of December 31 is as follows:

	2009	2008
Furniture and equipment	\$ 104,590	\$ 104,590
Computer software	301,495	281,495
	406,085	386,085
Less accumulated depreciation	(336,120)	(312,252)
Total	\$ 69,965	\$ 73,833

Total depreciation expense for the years ended December 31, 2009 and 2008, amounted to \$23,868 and \$42,796, respectively.

PUBLIC HEALTH INSTITUTE
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – TAX SHELTERED ANNUITY PLAN

In lieu of a standard retirement program, the Institute offers participation in a tax sheltered annuity plan. Employees who work a minimum of 20 hours per week after six full months of employment are eligible to participate. The Institute contributes 10% of gross wages to the tax sheltered annuity plan. An employee's minimum contribution is \$25 per month. However, the maximum combined contributions are determined by limits set under federal law.

During 2009 and 2008, the Institute contributed \$3,448,344 and \$3,257,148 to the tax sheltered annuity plan. Employees contributed \$2,328,355 and \$2,402,030. The contributions are fully vested and are administered by TIAA/CREF and Union Central Life Insurance Company.

NOTE 5 – DESCRIPTION OF LEASING ARRANGEMENTS

The Institute leases various sites in order to conduct research projects, expiring in various years through 2018.

Future minimum rental payments under operating leases having remaining terms in excess of one year as of December 31, 2009, are as follows:

<u>Year Ending December 31,</u>	
2010	\$ 3,860,559
2011	2,931,910
2012	2,552,662
2013	2,220,287
2014	1,284,166
Thereafter	<u>3,483,616</u>
Total minimum future rental payments	<u>\$ 16,333,200</u>

The Institute generally attempts to include, in lease agreements, a clause which enables the lease to be terminated should funding from an outside agency be terminated.

The following is a summary of rental expense under all operating leases:

	<u>2009</u>	<u>2008</u>
Rental expense	\$ 3,508,490	\$ 2,717,733
Less sublease rentals	-	(10,099)
Total rental expense	<u>\$ 3,508,490</u>	<u>\$ 2,707,634</u>

NOTE 6 – UNIVERSITY OF CALIFORNIA, IRVINE SUBCONTRACTS

The Institute had three subcontracts with the University of California, Irvine ("UCI") in order to support the California Department of Health Services' ("DHS") California Cancer Registry ("CCR") Program. These subcontracts were funded from grants from the DHS, the Centers for Disease Control and Prevention and the National Cancer Institute. In September 2004, the University of California Internal Audit Department issued a report questioning between \$500,000 and \$600,000 of costs charged to the three subcontracts with the Institute. The Interim Report contends that the costs incurred by UCI were not within the Scope of Work as indicated on the subcontracts with the Institute. The questioned costs were incurred from December 2001 through March 2003 and were used to develop/upgrade software used by UCI's Epidemiology Division for their research purposes.

Since communications between the Institute and UCI have not come to any conclusions as to what actions UCI will take regarding the questioned costs, the Institute has been withholding current payments to UCI in the amount of approximately \$600,000. The amounts being withheld are from the subsequent subcontracts for the CCR program.

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2009 and 2008, the Institute has net assets that are temporarily restricted for specific programs as designated by the foundation providing the funding. The Institute has \$10.7 million and \$14.6 million of temporarily restricted net assets as of December 31, 2009 and 2008, respectively, presented below by funder:

	<u>2009</u>	<u>2008</u>
Bill & Melinda Gates Foundation	\$ 1,556,431	\$ 4,795,828
California Endowment	3,134,098	3,824,394
David and Lucile Packard Foundation	1,036,180	3,803,544
Kaiser Permanente	2,056,547	599,920
California Healthcare Foundation	1,251,656	-
California Wellness Foundation	393,175	403,239
Other	1,252,553	1,172,420
Total Temporarily Restricted Net Assets	<u>\$ 10,680,640</u>	<u>\$ 14,599,345</u>

NOTE 8 – DESIGNATED ASSETS

The Board of Trustees has designated the following funds for:

	<u>2009</u>	<u>2008</u>
Adeline Hackett Innovations Initiative	\$ 62,318	\$ 72,443
Fundraising purpose	140,185	142,635
Discretionary funds	1,689,855	1,476,069
Total Board Designated Net Assets	<u>\$ 1,892,358</u>	<u>\$ 1,691,147</u>

NOTE 9 – COMMITMENTS AND CONTINGENCIES

The Institute has grants and contracts with various organizations and government agencies which are subject to audit by the funding source. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined. Management believes that any liability which could result from these audits would not be material.

The Institute entered into a grant agreement in July 2006 with a government agency which includes a cost sharing provision. This provision requires the Institute to expend a specified amount (1% of total cost) of non-federal funds over the complete term of the grant and the failure to meet the conditions of the provision could result in a compliance finding as well as monetary loss. The cost sharing required balance as of December 31, 2009, was \$663,080. Of this amount the Institute has funded \$398,868 and anticipates \$95,183 from its partners (total accumulated expenditure of \$494,051 of non-federal funds).

SINGLE AUDIT

PUBLIC HEALTH INSTITUTE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2009

<u>Title</u>	<u>Federal CFDA Number</u>	<u>Funding Agent</u>	<u>Federal Contract/Grant Number</u>	<u>2009 Amount</u>
Research and Development Cluster:				
<u>Department of Education</u>				
DBTAC: Pacific ADA Center	84.133A	Department of Education	H133A060098	\$ 1,092,938
Pacific DBTAC	84.133D	Department of Education	H133D010209-05	825
				<u>1,093,763</u>
<u>Department of Health and Human Services</u>				
In Utero Organochlorine Exposure	93.113	National Institute of Health / NIEHS	1 R01 ES013736-01A1	<u>283,827</u>
TEPOT II - Polcin	93.243	National Institute of Health / NIAAA	1U79SP015000-01	<u>322,215</u>
FACE	93.262	Centers for Disease Control	5 U60 OH008468-04	<u>799,989</u>
ARG: Imp Alc Self-Report Measu	93.273	National Institute of Health / NIAAA	5R01 AA013309-05	172,553
Making AA Easier	93.273	National Institute of Health / NIAAA	5 R01 AA014683-04	247,289
Consumption & Mortality	93.273	National Institute of Health / NIAAA	5R01AA014362-04	190,776
ARG: AA CAREERS	93.273	National Institute of Health / NIAAA	P30AA005595-28	1,630,181
Eval of Sober Living Houses	93.273	National Institute of Health / NIAAA	R01 AA014030	49,273
Brief ER Intervention - Poland	93.273	National Institute of Health / NIAAA	5 R21 AA016081-02	54,663
Women on Welfare: Violence YR2	93.273	National Institute of Health / NIAAA	1R21AA016124-02	124,983
New Scale Treatment Readiness	93.273	National Institute of Health / NIAAA	1R21AA016578-01A1	199,169
Drinking Patterns & Ethnicity	93.273	National Institute of Health / NIAAA	5 R01 AA016644-02	205,775
Cross National Alcohol & Inj	93.273	National Institute of Health / NIAAA	2R01AA013750-04A2	342,848
Disparities in Access to Trtmnt	93.273	National Institute of Health / NIAAA	1 R01 AA017197-01A1	402,617
Epidemiology of Drinking	93.273	National Institute of Health / NIAAA	1 R21 AA018365-01	33,747
Sex Orientation & Alcohol Prob	93.273	National Institute of Health / NIAAA	1 R21 AA017947-01A1	20,965
				<u>3,674,839</u>
Measuring Confrontation	93.279	National Institute of Health / NIDA	R21 DA023677-01	135,848
Thai International R21	93.279	National Institute of Health / NIDA	1 R21 DA026324-01A1	107,345
NIDA-Intensive MI for Meth	93.279	National Institute of Health / NIDA	1 R01 DA024714-01A1	345,044
				<u>588,237</u>
2008 SRG:BRFS Cell-Phone Pilot	93.283	Centers for Disease Control	3U58DP922811-05S2	27,308
Reducing Disparities-CEEDS	93.283	Centers for Disease Control	1 U58 DP001016-01	914,084
CA/HI PHLI - CDC	93.283	Centers for Disease Control	1U14WC000104-02	49,085
EHTP - Network Implementation	93.283	Centers for Disease Control	5 U38EH000186-03	1,050,500
CACRC/CCR 20th Conference	93.283	Centers for Disease Control	5 U13 DP001366-01	27,415
				<u>2,068,392</u>
Breast & Prostate POC	93.395	National Institute of Health	5U01DP000260-03	<u>92,606</u>
CDC Colorectal	93.938	Centers for Disease Control	1 U58 DP000807-01	<u>4,191,711</u>
Youth Risk Behavior Survey	93.989	National Institute of Health	1U87DP001248-01	<u>45,562</u>
Tobacco Control-China & Indone	93.989	National Institute of Health	2 R01 TW005938-06	<u>400,275</u>
Child Health & Dev 06-11	N01-DK63422	National Institute of Health	N01-DK63422	<u>254,950</u>
SEER 2005-2010	N01 PC 54404	National Institute of Health	N01 PC 54404	<u>1,990,024</u>
Evaluation of Respirator Usage	254-2009-31321	National Institute of Health	254-2009-31321	<u>9,071</u>
CCR-Occupational Cancer Srvlnc	254-2007-21179	National Institute of Health	254-2007-21179	<u>25,951</u>

PUBLIC HEALTH INSTITUTE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
Year Ended December 31, 2009

Department of Health and Human Services

Genes, Env Exposure & Hypospadias	93.113	Columbia University	80137	32,363
Male Reproduction	93.113	Columbia University	547709	<u>63,422</u>
				<u>95,785</u>
Brown-Bipolar Disorder	93.242	Research Foundation for Mental Hygiene, Inc.	1005330/1/24013	29,683
Prenatal Drtm Schizoph'a II	93.242	Kaiser Permanente	115-9360-01-M3	<u>31,747</u>
				<u>61,430</u>
Violence Home Health Workers	93.262	University of North Carolina	5-39121	<u>200,280</u>
UCSF: Drinking Trajectories	93.273	PHS-University of California	4120SC	<u>143,893</u>
Trajectories of Alc. Patients	93.273	Kaiser Permanente	115-9362-01	<u>7,243</u>
GENACIS	93.273	University of North Dakota	827	<u>95,180</u>
Gender Diff's & Prob Drinking	93.273	University of California SF	4634SC	<u>60,961</u>
Explaining Treatment Gaps	93.273	New England Research	R01 AA016268	<u>44,188</u>
Quality Sub Among Drinkers	93.273	Drexel University	232435	<u>8,371</u>
Gender, Relationship Dynamics & HIV Risk	93.279	Oxford University	R00204/CN001	<u>220,489</u>
National Public Health Leadership Institute	93.283	University of North Carolina	5-53708	<u>79,374</u>
Web-Based Smoking Intervention	93.339	Dana Farber Cancer Center	NO. R01 CA106914-05	<u>13,924</u>
UCSF Subcontract Cambodia	93.361	University of California	5446sc	<u>7,314</u>
Personal Responsibility Rhetoric	93.393	NorthEastern University	500117 P1001942	<u>39,567</u>
Teachers Study - 07-08	93.393	City of Hope	5 R01 CA077398	<u>138,347</u>
UCD Comorbidities	93.398	University of California	SUB0700222	<u>11,977</u>
Asian American Cancer Awareness	93.399	University of California, Davis	K-013506-PHI	<u>79,230</u>
Thyroid Function and Development - ARRA	93.701	Columbia University	5-37983	<u>9,035</u>
Prenatal Organochlorine - ARRA	93.701	Columbia University	5-37983	<u>10,126</u>
Pathways II-Lifecourse	93.865	Columbia University	1 R01 HD058	<u>100,190</u>
<u>U.S. Agency for International Development</u>				
Puentes de Esperanza - LASH	98.006	World Learning for International Development	GSM-001	198,902
				<u>17,467,218</u>

Total Research and Development

Other:

Direct Programs:

U.S. Agency for International Development

Global Health Fellows	98.001	USAID	GPO-A-00-06-00005-00	<u>26,499,240</u>
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Pass-through Programs:

Department of Agriculture

CPNS - USDA	10.561	Cal Dept of Health Services	03-75007	2,111,422
CPNS NCB 2009	10.561	Cal Dept of Health Services	08-85580	10,446,852
Nutrition Network 2009-2014	10.561	Cal Dept of Health Services	08-85554	<u>14,654</u>
				<u>12,572,928</u>

Department of Justice

Promoting Child & Youth Safety	16.543	Department of Justice	2009-MC-CX-K066	<u>6,062</u>
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Total Other

39,078,230

Total Federal Awards

\$ 56,545,448

PUBLIC HEALTH INSTITUTE
NOTES TO SCHEDULE OF FEDERAL AWARDS
Year Ended December 31, 2009

Basis of Presentation – The Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting. The information in this schedule is presented in accordance with the requirement of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Subrecipients – The Institute provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	2009 Amount Provided
GHFP	98.001	\$ 1,092,276
CPNS NCB 2009	10.561	1,013,135
CDC: NPCR: COLORECTOL	93.938	880,452
SEER 2005-2010	93.N01 PC 54404	509,943
ARG: AA CAREERS	93.273	445,339
PDBTAC: Program Income	84.133A	208,091
Disparities in Access to Trtmt	93.273	180,266
Violence Home Health Workers	93.262	177,377
EHTP - Network Implementation	93.283	99,020
Breast & Prostate POC	93.395	97,532
Puentes de Esperanza - LASH	98.006	75,277
Reducing Disparities-CEEDS	93.283	73,168
TEPOT II-Polcin	93.243	62,008
Tobacco Control-China & Indone	93.989	61,500
Drinking Patterns & Ethnicity	93.273	57,144
ARG: Imp Alc Self-Report Measu	93.273	51,800
NIDA-Intensive MI for Meth	93.279	46,361
Consumption & Mortality	93.273	31,586
Women on Welfare: Violence YR2	93.273	19,342
Nutrition Network 2009-2014	10.561	7,140
		\$ 5,188,757

**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 Trustees
Public Health Institute

We have audited the financial statements of the Public Health Institute (the "Institute") as of and for the year ended December 31, 2009, and have issued our report thereon dated June 17, 2010. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental 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 Institute'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 Institute's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Institute'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 entity'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, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Institute's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with 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 Board of Trustees, the Audit Committee, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



San Francisco, California
June 17, 2010

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133.

To the Board of Trustees
Public Health Institute

Compliance

We have audited the compliance of the Public Health Institute (the "Institute") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. The Institute's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Institute's management. Our responsibility is to express an opinion on the Institute's compliance based on our audit.

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

In our opinion, the Institute complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

Internal Control Over Compliance

The management of the Institute is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Institute's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Institute's internal control over compliance.

A deficiency in internal control over compliance 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 the noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the 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 that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Trustees, Audit Committee, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Moss Adams LLP". The signature is written in a cursive, flowing style.

San Francisco, California
June 17, 2010

PUBLIC HEALTH INSTITUTE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2009

SECTION I – SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor’s report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted?

yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of auditor’s report issued on compliance for major program:

Unqualified

Any audit findings disclosed that are:

- Required to be reported in accordance with section 510(a) of OMB Circular A-133? yes no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

98.001
Various

Global Health Fellows Program - USAID
Research and Development Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$1,696,363

Auditee qualified as low-risk auditee?

yes no

**PUBLIC HEALTH INSTITUTE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
Year Ended December 31, 2009**

SECTION II—FINANCIAL STATEMENT FINDINGS

There were no reportable matters.

SECTION III—FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no reportable matters.

SECTION IV—SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding 2008-01 – Schedule of Expenditures of Federal Awards – Significant Deficiency

Criteria – OMB Circular A-133 section 300 states that “The auditee shall (a) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of Federal agency, and name of the pass-through entity.” § 300(d) states, “Prepare appropriate financial statements, including the schedule of expenditures of federal awards in accordance with (OMB Circular A-133 section) 310.” Section 310(b) states (in part): “Schedule of Expenditures of Federal Awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee’s financial statements.”

Condition – For the years ended December 31, 2006 and 2007, 4 out of 53 and 5 out of 62 federal programs (contracts) were not included within the schedule of expenditure of federal awards (SEFA), respectively. These contracts represented the same funding sources both years. The initial SEFA for 2008 presented to the auditors excluded these same contracts. The final 2008 SEFA included them.

Effect – As a result of management’s misinterpretation of § 300(a) the contracts noted above were not included on the SEFA. As a result, the SEFA’s for fiscal years 2006 and 2007 were understated, specifically the Research and Development Cluster. These understatements, however, do not impact each year’s major program determination.

Cause – The federal contracts were not included on the SEFA due to management’s misinterpretation of § 300(a). The Institute did comply with the applicable compliance requirements for this funding.

Recommendation – We recommend that management gain a deeper understanding of § 300(a) so that all federal dollars that are required to be included on the SEFA are included. We further recommend that the Grants and Contracts department make it a policy to inform finance if any contract contains Federal Acquisition Regulation Clause 52.215-2, Alternate II language which would require inclusion on the SEFA.

Current Year Status: The Institute has implemented sufficient procedures; this item is no longer a finding.