# APPENDIX 12

**CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION**
**Discussion and Analysis of Unaudited Financial Statements**
**For the Period July 1, 2013 through June 30, 2014**

The June 30, 2014 financial statements of the California Prison Health Care Receivership Corp (CPR) are presented in compliance with the measurement focus, basis of accounting and financial presentation set forth by the Government Accounting Standards Board (GASB), and include a Statement of Net Assets and General Fund Balance (Balance Sheet) and a Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance (Revenues and Expenses). In lieu of comparing net asset and operating activities to prior period amounts, operating activities are compared to budget.

A review of expenses included on the unaudited statement of activities compared to what was budgeted for the twelve months ended June 30, 2014 shows a total difference of $1,931,423 or 52.3% variance under budget. One line item or activity in the statement account for the majority of the difference.

Professional fees were $1,705,107 or 63.9% under budget. The Legal costs anticipated in the budget continue to be much less to date than originally considered primarily because of timing with court dates and filings.

No Capital assets were purchased during Fiscal year.

**CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION**
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance
For the twelve months ended
June 30, 2014

| | General Fund | Adjustments | Statement of Net Assets |
|---|---|---|---|
| **Assets** | | | |
| **Current assets:** | | | |
| Cash | $132,831 | $ - | $ 132,831 |
| Prepaid items | $2,729 | - | 2,729 |
| | 135,560 | - | 135,560 |
| **Noncurrent assets:** | | | |
| Deposits with others | 0 | - | - |
| Capital assets, net | - | $0 | - |
| Total assets | $ 135,560 | - | $ 135,560 |
| **Liabilities** | | | |
| Liabilities: | | | |
| Accounts payable | 192,115 | - | 192,115 |
| Accrued salaries and benefits | 26,187 | - | 26,187 |
| Other accrued expenses | 4,662 | | 4,662 |
| Compensated absences | 0 | $47,720 | 47,720 |
| Total liabilities | $ 222,964 | $ 47,720 | $ 270,684 |
| **Fund Balance/Net Assets** | | | |
| Fund balance: | | | |
| Reserved for prepaid items and deposits with others | 2,729 | (2,729) | - |
| Unreserved, undesignated | (90,133) | 90,133 | - |
| Total fund balance | (87,404) | 87,404 | - |
| Total liabilities and fund balance | $ 135,560 | | |
| **Net assets:** | | | |
| Invested in capital assets, net of related debt | | - | - |
| Unrestricted | | (141,034) | (141,034) |
| Total net assets | | $ (141,034) | $ (141,034) |

**CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION**
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance
For the twelve months ended
June 30, 2014

| | General Fund | Adjustments | Statement of Activities |
|---|---|---|---|
| **Revenues** | | | |
| Program revenues: | | | |
| Operating grants and contributions: | | | |
| State of California appropriation to Receivership | $ 1,675,000 | - | $ 1,675,000 |
| General revenues: | | | |
| Investment earnings | 110 | - | 110 |
| Miscellaneous Income | 0 | - | - |
| Total revenues | 1,675,110 | - | 1,675,110 |
| **Expenditures/Expenses:** | | | |
| Prison health care administration and oversight: | | | |
| Current: | | | |
| Salaries and benefits | 769,855 | - | 769,855 |
| Legal and professional services | 961,929 | - | 961,929 |
| Travel | 7,990 | - | 7,990 |
| Insurance | 12,420 | - | 12,420 |
| Other | 9,095 | - | 9,095 |
| Depreciation | 0 | 0 | - |
| Capital outlay - Fixed Assets | - | - | - |
| Total expenditures/expenses | 1,761,290 | - | 1,761,290 |
| Change in fund balance | (86,179) | 86,179 | - |
| Change in net assets | - | - | (86,179) |
| Fund balance/net position - July 1, 2013 | (7,135) | (47,720) | (48,943) |
| Fund balance/net position - June 30, 2014 | $ (93,314) | $ 38,459 | $ (135,122) |

**CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION**
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance
For the twelve months ended
June 30, 2014

| | Final Budget | Actual (Budgetary Basis) | Variance between Final Budget and Actual |
|---|---|---|---|
| Revenues: | | | |
| State of California appropriation to Receivership | $3,692,712 | $1,675,000 | $ (2,017,712) |
| Investment earnings | $0 | $110 | 110 |
| Miscellaneous Income | - | $0 | - |
| Total revenues | $3,692,712 | $1,675,110 | (2,017,602) |
| Expenditures: | | | |
| Prison health care administration and oversight: | | | |
| Current: | | | |
| Salaries and benefits | 861,756 | 769,855 | 91,901 |
| Legal and professional services | 2,667,036 | 961,929 | 1,705,107 |
| Travel | 60,000 | 7,990 | 52,010 |
| Office expenses | 8,400 | 3,341 | 5,059 |
| Telephone and network | 6,720 | 397 | 6,323 |
| Insurance | 19,200 | 12,420 | 6,780 |
| Other | 69,600 | $5,358 | 64,242 |
| Capital outlay | - | - | - |
| Total expenditures | 3,692,712 | 1,761,290 | 1,931,423 |
| Change in fund balance | $ - | (86,179) | $ (86,179) |
| GAAP basis difference - compensated absences | $0 | - | - |
| Fund balance/net position - July 1, 2013 | | (7,135) | |
| Fund balance/net position - June 30, 2014 | | $ (93,314) | |

**CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION**
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance
For the eleven months ended
May 31, 2014

| | General Fund | Adjustments | Statement of Net Assets |
|---|---|---|---|
| **Assets** | | | |
| **Current assets:** | | | |
| Cash | $45,057 | $ - | $ 45,057 |
| Prepaid items | $4,629 | - | 4,629 |
| | 49,686 | - | 49,686 |
| **Noncurrent assets:** | | | |
| Deposits with others | 0 | - | - |
| Capital assets, net | - | $0 | - |
| Total assets | $ 49,686 | - | $ 49,686 |
| **Liabilities** | | | |
| Liabilities: | | | |
| Accounts payable | 29,909 | - | 29,909 |
| Accrued salaries and benefits | 32,833 | - | 32,833 |
| Other accrued expenses | (1,559) | | (1,559) |
| Compensated absences | 0 | 41,808 | 41,808 |
| Total liabilities | $ 61,183 | $ 41,808 | $ 102,991 |
| **Fund Balance/Net Assets** | | | |
| Fund balance: | | | |
| Reserved for prepaid items and deposits with others | 4,629 | (4,629) | - |
| Unreserved, undesignated | (16,126) | 16,126 | - |
| Total fund balance | (11,497) | 11,497 | - |
| Total liabilities and fund balance | $ 49,686 | | |
| **Net assets:** | | | |
| Invested in capital assets, net of related debt | | - | - |
| Unrestricted | | (53,302) | (53,302) |
| Total net assets | | $ (53,302) | $ (53,302) |

**CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION**
Statement of Activities and General Fund Revenues, Expenditures and Changes In Fund Balance
For the eleven months ended
May 31, 2014

| | General Fund | Adjustments | Statement of Activities |
|---|---|---|---|
| **Revenues** | | | |
| Program revenues: | | | |
| Operating grants and contributions: | | | |
| State of California appropriation to Receivership | $ 1,500,000 | - | $ 1,500,000 |
| General revenues: | | | |
| Investment earnings | 108 | - | 108 |
| Miscellaneous Income | 0 | - | - |
| Total revenues | 1,500,108 | - | 1,500,108 |
| **Expenditures/Expenses:** | | | |
| Prison health care administration and oversight: | | | |
| Current: | | | |
| Salaries and benefits | 710,886 | - | 710,886 |
| Legal and professional services | 766,411 | - | 766,411 |
| Travel | 7,940 | - | 7,940 |
| Insurance | 10,755 | - | 10,755 |
| Other | 8,474 | - | 8,474 |
| Depreciation | 0 | 0 | - |
| Capital outlay - Fixed Assets | - | - | - |
| Total expenditures/expenses | 1,504,467 | - | 1,504,467 |
| Change in fund balance | (4,359) | 4,359 | - |
| Change in net assets | - | - | (4,359) |
| Fund balance/net position - July 1, 2013 | (7,135) | (41,808) | (48,943) |
| Fund balance/net position - May 31, 2014 | $ (11,494) | $ (37,449) | $ (53,302) |

**CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION**
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance
For the eleven months ended
May 31, 2014

| | Final Budget | Actual (Budgetary Basis) | Variance between Final Budget and Actual |
|---|---|---|---|
| Revenues: | | | |
| State of California appropriation to Receivership | $3,384,986 | $1,500,000 | $ (1,884,986) |
| Investment earnings | $0 | $108 | 108 |
| Miscellaneous Income | - | $0 | - |
| Total revenues | $3,384,986 | $1,500,108 | (1,884,878) |
| Expenditures: | | | |
| Prison health care administration and oversight: | | | |
| Current: | | | |
| Salaries and benefits | 789,943 | 710,886 | 79,057 |
| Legal and professional services | 2,444,783 | 766,411 | 1,678,372 |
| Travel | 55,000 | 7,940 | 47,060 |
| Office expenses | 7,700 | 3,165 | 4,535 |
| Telephone and network | 6,160 | 397 | 5,763 |
| Insurance | 17,600 | 10,755 | 6,845 |
| Other | 63,800 | $4,913 | 58,887 |
| Capital outlay | - | - | - |
| Total expenditures | 3,384,986 | 1,504,467 | 1,880,520 |
| Change in fund balance | $ - | (4,359) | $ (4,359) |
| GAAP basis difference - compensated absences | $0 | - | - |
| Fund balance/net position - July 1, 2013 | | (7,135) | |
| Fund balance/net position - May 31, 2014 | | $ (11,494) | |

**CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION**
**Discussion and Analysis of Unaudited Financial Statements**
**For the Period July 1, 2014 through August 31, 2014**

The August 31, 2014 financial statements of the California Prison Health Care Receivership Corp (CPR) are presented in compliance with the measurement focus, basis of accounting and financial presentation set forth by the Government Accounting Standards Board (GASB), and include a Statement of Net Assets and General Fund Balance (Balance Sheet) and a Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance (Revenues and Expenses). In lieu of comparing net asset and operating activities to prior period amounts, operating activities are compared to budget.

A review of expenses included on the unaudited statement of activities compared to what was budgeted for the two months ended August 31, 2014 shows a total difference of $ 246,919 or 48.7% variance under budget. One line item or activity in the statement account for the majority of the difference.

Professional fees were $242,421 or 63.7% under budget. The Legal costs anticipated in the budget have been much less to date than originally considered primarily because of timing with court dates and filings.

No Capital assets have been purchased during the first two months of the Fiscal year.

**CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION**
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance
For the two months ended
August 31, 2014

| | General Fund | Adjustments | Statement of Net Assets |
|---|---|---|---|
| **Assets** | | | |
| **Current assets:** | | | |
| Cash | $124,471 | $ - | $ 124,471 |
| Prepaid items | ($1,799) | - | (1,799) |
| | 122,672 | - | 122,672 |
| **Noncurrent assets:** | | | |
| Deposits with others | 0 | - | - |
| Capital assets, net | - | $0 | - |
| Total assets | $ 122,672 | - | $ 122,672 |
| **Liabilities** | | | |
| Liabilities: | | | |
| Accounts payable | 50,302 | - | 50,302 |
| Accrued salaries and benefits | 26,187 | - | 26,187 |
| Other accrued expenses | 43,843 | | 43,843 |
| Compensated absences | 0 | $47,720 | 47,720 |
| Total liabilities | $ 120,332 | $ 47,720 | $ 168,052 |
| **Fund Balance/Net Assets** | | | |
| Fund balance: | | | |
| Reserved for prepaid items and deposits with others | (1,799) | 1,799 | - |
| Unreserved, undesignated | 4,139 | (4,139) | - |
| Total fund balance | 2,340 | (2,340) | - |
| Total liabilities and fund balance | $ 122,672 | | |
| **Net assets:** | | | |
| Invested in capital assets, net of related debt | | - | - |
| Unrestricted | | 34,888 | 34,888 |
| Total net assets | | $ 34,888 | $ 34,888 |

**CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION**
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance
For the two months ended
August 31, 2014

| | General Fund | Adjustments | Statement of Activities |
|---|---|---|---|
| **Revenues** | | | |
| Program revenues: | | | |
| Operating grants and contributions: | | | |
| State of California appropriation to Receivership | $ 350,000 | - | $ 350,000 |
| General revenues: | | | |
| Investment earnings | 4 | - | 4 |
| Miscellaneous Income | 0 | - | - |
| Total revenues | 350,004 | - | 350,004 |
| **Expenditures/Expenses:** | | | |
| Prison health care administration and oversight: | | | |
| Current: | | | |
| Salaries and benefits | 117,908 | - | 117,908 |
| Legal and professional services | 138,245 | - | 138,245 |
| Travel | 0 | - | - |
| Insurance | 3,330 | - | 3,330 |
| Other | 780 | - | 780 |
| Depreciation | 0 | 0 | - |
| Capital outlay - Fixed Assets | - | - | - |
| Total expenditures/expenses | 260,261 | - | 260,261 |
| Change in fund balance | 89,743 | (89,743) | - |
| Change in net assets | - | - | 89,743 |
| Fund balance/net position - July 1, 2014 | (7,135) | (47,720) | (48,943) |
| Fund balance/net position - August 31, 2014 | $ 82,608 | $ (137,463) | $ 40,800 |

**CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION**
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance
For the two months ended
August 31, 2014

| | Final Budget | Actual (Budgetary Basis) | Variance between Final Budget and Actual |
|---|---|---|---|
| Revenues: | | | |
| State of California appropriation to Receivership | $507,180 | $350,000 | $ (157,180) |
| Investment earnings | $0 | $4 | 4 |
| Miscellaneous Income | - | $0 | - |
| Total revenues | $507,180 | $350,004 | (157,176) |
| Expenditures: | | | |
| Prison health care administration and oversight: | | | |
| Current: | | | |
| Salaries and benefits | 112,764 | 117,908 | (5,144) |
| Legal and professional services | 380,666 | 138,245 | 242,421 |
| Travel | 2,400 | - | 2,400 |
| Office expenses | 900 | 782 | 118 |
| Telephone and network | 120 | (1,050) | 1,170 |
| Insurance | 3,330 | 3,330 | 1 |
| Other | 7,000 | $1,048 | 5,952 |
| Capital outlay | - | - | - |
| Total expenditures | 507,180 | 260,261 | 246,919 |
| Change in fund balance | $ - | 89,743 | $ 89,743 |
| GAAP basis difference - compensated absences | $0 | - | - |
| Fund balance/net position - July 1, 2014 | | (7,135) | |
| Fund balance/net position - August 31, 2014 | | $ 82,608 | |

**CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION**
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance
For the one month ended
July 31, 2014

| | General Fund | Adjustments | Statement of Net Assets |
|---|---|---|---|
| **Assets** | | | |
| **Current assets:** | | | |
| Cash | $56,456 | $ - | $ 56,456 |
| Prepaid items | $474 | - | 474 |
| | 56,930 | - | 56,930 |
| **Noncurrent assets:** | | | |
| Deposits with others | 0 | - | - |
| Capital assets, net | - | $0 | - |
| Total assets | $ 56,930 | - | $ 56,930 |
| **Liabilities** | | | |
| Liabilities: | | | |
| Accounts payable | 46,918 | - | 46,918 |
| Accrued salaries and benefits | 26,187 | - | 26,187 |
| Other accrued expenses | 4,869 | | 4,869 |
| Compensated absences | 0 | $47,720 | 47,720 |
| Total liabilities | $ 77,974 | $ 47,720 | $ 125,694 |
| **Fund Balance/Net Assets** | | | |
| Fund balance: | | | |
| Reserved for prepaid items and deposits with others | 474 | (474) | - |
| Unreserved, undesignated | (21,518) | 21,518 | - |
| Total fund balance | (21,044) | 21,044 | - |
| Total liabilities and fund balance | $ 56,930 | | |
| **Net assets:** | | | |
| Invested in capital assets, net of related debt | | - | - |
| Unrestricted | | 11,504 | 11,504 |
| Total net assets | | $ 11,504 | $ 11,504 |

**CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION**
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance
For the one month ended
July 31, 2014

| | General Fund | Adjustments | Statement of Activities |
|---|---|---|---|
| **Revenues** | | | |
| Program revenues: | | | |
| Operating grants and contributions: | | | |
| State of California appropriation to Receivership | $ 175,000 | - | $ 175,000 |
| General revenues: | | | |
| Investment earnings | 2 | - | 2 |
| Miscellaneous Income | 0 | - | - |
| Total revenues | 175,002 | - | 175,002 |
| **Expenditures/Expenses:** | | | |
| Prison health care administration and oversight: | | | |
| Current: | | | |
| Salaries and benefits | 59,285 | - | 59,285 |
| Legal and professional services | 48,073 | - | 48,073 |
| Travel | 0 | - | - |
| Insurance | 1,665 | - | 1,665 |
| Other | (380) | - | (380) |
| Depreciation | 0 | 0 | - |
| Capital outlay - Fixed Assets | - | - | - |
| Total expenditures/expenses | 108,643 | - | 108,643 |
| Change in fund balance | 66,359 | (66,359) | - |
| Change in net assets | - | - | 66,359 |
| Fund balance/net position - July 1, 2014 | (7,135) | (47,720) | (48,943) |
| Fund balance/net position - July 31, 2014 | $ 59,224 | $ (114,079) | $ 17,416 |

**CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION**
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance
For the one month ended
July 31, 2014

| | Final Budget | Actual (Budgetary Basis) | Variance between Final Budget and Actual |
|---|---|---|---|
| Revenues: | | | |
| State of California appropriation to Receivership | $253,590 | $175,000 | $ (78,590) |
| Investment earnings | $0 | $2 | 2 |
| Miscellaneous Income | - | $0 | - |
| Total revenues | $253,590 | $175,002 | (78,588) |
| Expenditures: | | | |
| Prison health care administration and oversight: | | | |
| Current: | | | |
| Salaries and benefits | 56,382 | 59,285 | (2,903) |
| Legal and professional services | 190,333 | 48,073 | 142,260 |
| Travel | 1,200 | - | 1,200 |
| Office expenses | 450 | 225 | 225 |
| Telephone and network | 60 | (1,050) | 1,110 |
| Insurance | 1,665 | 1,665 | 0 |
| Other | 3,500 | $445 | 3,055 |
| Capital outlay | - | - | - |
| Total expenditures | 253,590 | 108,643 | 144,947 |
| Change in fund balance | $ - | 66,359 | $ 66,359 |
| GAAP basis difference - compensated absences | $0 | - | - |
| Fund balance/net position - July 1, 2014 | | (7,135) | |
| Fund balance/net position - July 31, 2014 | | $ 59,224 | |