

APPENDIX 11

CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION
Discussion and Analysis of Unaudited Financial Statements
For the Period July 1, 2009 through April 30, 2010

The April 30, 2010 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 ten months ended April 30, 2010 shows a total difference of \$3,608,833 or 22.9% variance under budget. One line item or activity in the statement account for the majority of the difference.

Professional fees were \$3,638,083 or 68.5% 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. We do anticipate legal costs to ramp up to budgeted levels for the fiscal year.

Capital assets have increased \$9.6 million during the first ten months of the Fiscal year. Of the total expenditures for capital assets, \$8.3 million was related to the Health Services Clinics and Administration building for Avenal State Prison. The remaining expenditures were for various capital improvements at San Quentin.

CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance
For the ten months ended
April 30, 2010

	General Fund	Adjustments	Statement of Net Assets
Assets			
Current assets:			
Cash	\$827,176	\$ -	\$ 827,176
Prepaid items	\$5,126	-	5,126
	832,302	-	832,302
Noncurrent assets:			
Deposits with others	194,131	-	194,131
Capital assets, net	-	\$111,159,584	111,159,584
	-	\$111,159,584	111,159,584
Total assets	\$ 1,026,432	111,159,584	\$ 112,186,016
Liabilities			
Liabilities:			
Accounts payable	1,208	-	1,208
Accrued salaries and benefits	141,741	-	141,741
Other accrued expenses	895,050		895,050
Compensated absences	0	40,598	40,598
	0	40,598	40,598
Total liabilities	\$ 1,037,998	\$ 40,598	\$ 1,078,596
Fund Balance/Net Assets			
Fund balance:			
Reserved for prepaid items and deposits with others	199,257	(199,257)	-
Unreserved, undesignated	(210,823)	210,823	-
	(210,823)	210,823	-
Total fund balance	(11,566)	11,566	-
Total liabilities and fund balance	\$ 1,026,432		
Net assets:			
Invested in capital assets, net of related debt		111,159,584	111,159,584
Unrestricted		(52,163)	(52,163)
		111,159,584	111,159,584
Total net assets		\$ 111,107,421	\$ 111,107,421

CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance
For the ten months ended
April 30, 2010

	General Fund	Adjustments	Statement of Activities
Revenues			
Program revenues:			
Operating grants and contributions:			
State of California appropriation to Receivership	\$ 2,475,000	-	\$ 2,475,000
General revenues:			
Investment earnings	3,517	-	3,517
Total revenues	2,478,517	-	2,478,517
Expenditures/Expenses:			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	701,309	(17,079)	684,230
Legal and professional services	1,673,277	-	1,673,277
Travel	13,790	-	13,790
Rents and leases	35,452	-	35,452
Insurance	56,715	-	56,715
Other	113,765	-	113,765
Depreciation	0	4,099,371	4,099,371
Capital outlay - Fixed Assets	9,557,807	(9,557,807)	-
Total expenditures/expenses	12,152,115	(5,475,515)	6,676,601
Change in fund balance	(9,673,598)	9,673,598	-
Change in net assets	-	5,475,515	(4,198,083)
Fund balance/net assets - July 1, 2009	9,662,033	109,146,983	115,305,504
Fund balance/net assets - April 30, 2010	\$ (11,565)	\$ 124,296,096	\$ 111,107,421

CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance
For the ten months ended
April 30, 2010

	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance between Final Budget and Actual</u>
Revenues:			
State of California appropriation to Receivership	\$2,475,000	\$2,475,000	\$ -
Investment earnings	\$0	\$3,517	3,517
	<u>2,475,000</u>	<u>2,478,517</u>	<u>3,517</u>
Total revenues			
	<u>2,475,000</u>	<u>2,478,517</u>	<u>3,517</u>
Expenditures:			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	519,973	684,230	(164,257)
Legal and professional services	5,311,360	1,673,277	3,638,083
Travel	30,000	13,790	16,210
Rents and leases	32,390	35,452	(3,062)
Office expenses	53,000	35,820	17,180
Telephone and network	15,000	10,802	4,198
Insurance	15,000	56,715	(41,715)
Other	209,340	\$67,143	142,197
Capital outlay	9,557,807	9,557,807	-
	<u>15,743,870</u>	<u>12,135,036</u>	<u>3,608,833</u>
Total expenditures			
	<u>15,743,870</u>	<u>12,135,036</u>	<u>3,608,833</u>
Change in fund balance	<u>\$ (13,268,870)</u>	(9,656,519)	\$ 3,612,351
GAAP basis difference - compensated absences		(17,079)	
Fund balance - July 1, 2009		<u>9,662,033</u>	
Fund balance - April 30, 2010		<u>\$ (11,565)</u>	

CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance
For the nine months ended
March 31, 2010

	General	Adjustments	Statement of Net Assets
Assets			
Current assets:			
Cash	\$1,140,757	\$ -	\$ 1,140,757
Prepaid items	<u>\$7,721</u>	<u>-</u>	<u>7,721</u>
	1,148,478	-	1,148,478
Noncurrent assets:			
Deposits with others	194,131	-	194,131
Capital assets, net	<u>-</u>	<u>\$111,612,463</u>	<u>111,612,463</u>
Total assets	<u>\$ 1,342,608</u>	<u>111,612,463</u>	<u>\$ 112,955,071</u>
Liabilities			
Liabilities:			
Accounts payable	300,447	-	300,447
Accrued salaries and benefits	141,741	-	141,741
Other accrued expenses	684,770		684,770
Compensated absences	<u>0</u>	<u>57,677</u>	<u>57,677</u>
Total liabilities	<u>\$ 1,126,958</u>	<u>\$ 57,677</u>	<u>\$ 1,184,635</u>
Fund Balance/Net Assets			
Fund balance:			
Reserved for prepaid items and deposits with others	201,851	(201,851)	-
Unreserved, undesignated	<u>13,799</u>	<u>(13,799)</u>	<u>-</u>
Total fund balance	<u>215,650</u>	<u>(215,650)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 1,342,608</u>		
Net assets:			
Invested in capital assets, net of related debt		111,612,463	111,612,463
Unrestricted		<u>157,974</u>	<u>157,974</u>
Total net assets		<u>\$ 111,770,437</u>	<u>\$ 111,770,437</u>

CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance
For the nine months ended
March 31, 2010

	General Fund	Adjustments	Statement of Activities
Revenues			
Program revenues:			
Operating grants and contributions:			
State of California appropriation to Receivership	\$ 2,225,000	-	\$ 2,225,000
General revenues:			
Investment earnings	3,512	-	3,512
Total revenues	2,228,512	-	2,228,512
Expenditures/Expenses:			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	640,359	-	640,359
Legal and professional services	1,268,611	-	1,268,611
Travel	12,664	-	12,664
Rents and leases	32,524	-	32,524
Insurance	54,121	-	54,121
Other	108,808	-	108,808
Depreciation	0	3,646,492	3,646,492
Capital outlay - Fixed Assets	9,557,807	(9,557,807)	-
Total expenditures/expenses	11,674,894	(5,911,315)	5,763,579
Change in fund balance	(9,446,382)	9,446,382	-
Change in net assets	-	5,911,315	(3,535,067)
Fund balance/net assets - July 1, 2009	9,662,033	109,146,983	115,305,504
Fund balance/net assets - March 31, 2010	\$ 215,651	\$ 124,504,680	\$ 111,770,437

CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance
For the nine months ended
March 31, 2010

	Final Budget	Actual (Budgetary Basis)	Variance between Final Budget and Actual
Revenues:			
State of California appropriation to Receivership	\$2,225,000	\$2,225,000	\$ -
Investment earnings	\$0	\$3,512	3,512
Total revenues	2,225,000	2,228,512	3,512
Expenditures:			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	480,236	640,359	(160,123)
Legal and professional services	4,780,224	1,268,611	3,511,613
Travel	27,000	12,664	14,336
Rents and leases	29,151	32,524	(3,373)
Office expenses	47,700	32,286	15,414
Telephone and network	13,500	9,758	3,742
Insurance	13,500	54,121	(40,621)
Other	188,406	\$66,764	121,642
Capital outlay	9,557,807	9,557,807	-
Total expenditures	15,137,524	11,674,894	3,462,630
Change in fund balance	\$ (12,912,524)	(9,446,382)	\$ 3,466,142
GAAP basis difference - compensated absences		-	
Fund balance - July 1, 2009		9,662,033	
Fund balance - March 31, 2010		\$ 215,651	

CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance
For the eight months ended
February 28, 2010

	General Fund	Adjustments	Statement of Net Assets
Assets			
Current assets:			
Cash	\$1,299,660	\$ -	\$ 1,299,660
Prepaid items	<u>\$10,316</u>	-	<u>10,316</u>
	1,309,976	-	1,309,976
Noncurrent assets:			
Deposits with others	196,673	-	196,673
Capital assets, net	<u>-</u>	<u>\$111,734,504</u>	<u>111,734,504</u>
Total assets	<u>\$ 1,506,648</u>	<u>111,734,504</u>	<u>\$ 113,241,152</u>
Liabilities			
Liabilities:			
Accounts payable	97,083	-	97,083
Accrued salaries and benefits	141,741	-	141,741
Other accrued expenses	664,336		664,336
Compensated absences	<u>0</u>	<u>57,677</u>	<u>57,677</u>
Total liabilities	<u>\$ 903,159</u>	<u>\$ 57,677</u>	<u>\$ 960,836</u>
Fund Balance/Net Assets			
Fund balance:			
Reserved for prepaid items and deposits with others	206,988	(206,988)	-
Unreserved, undesignated	<u>396,501</u>	<u>(396,501)</u>	<u>-</u>
Total fund balance	<u>603,489</u>	<u>(603,489)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 1,506,648</u>		
Net assets:			
Invested in capital assets, net of related debt		111,734,504	111,734,504
Unrestricted		<u>545,812</u>	<u>545,812</u>
Total net assets		<u>\$ 112,280,316</u>	<u>\$ 112,280,316</u>

CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance
For the eight months ended
February 28, 2010

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues			
Program revenues:			
Operating grants and contributions:			
State of California appropriation to Receivership	\$ 2,050,000	-	\$ 2,050,000
General revenues:			
Investment earnings	3,506	-	3,506
Total revenues	<u>2,053,506</u>	<u>-</u>	<u>2,053,506</u>
Expenditures/Expenses:			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	560,610	-	560,610
Legal and professional services	1,129,609	-	1,129,609
Travel	10,220	-	10,220
Rents and leases	29,449	-	29,449
Insurance	51,526	-	51,526
Other	103,668	-	103,668
Depreciation	0	3,193,613	3,193,613
Capital outlay - Fixed Assets	9,226,969	(9,226,969)	-
Total expenditures/expenses	<u>11,112,049</u>	<u>(6,033,356)</u>	<u>5,078,694</u>
Change in fund balance	(9,058,544)	9,058,544	-
Change in net assets	-	6,033,356	(3,025,188)
Fund balance/net assets - July 1, 2009	<u>9,662,033</u>	<u>109,146,983</u>	<u>115,305,504</u>
Fund balance/net assets - February 28, 2010	<u>\$ 603,489</u>	<u>\$ 124,238,882</u>	<u>\$ 112,280,316</u>

CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance
For the eight months ended
February 28, 2010

	Final Budget	Actual (Budgetary Basis)	Variance between Final Budget and Actual
Revenues:			
State of California appropriation to Receivership	\$2,050,000	\$2,050,000	\$ -
Investment earnings	\$0	\$3,506	3,506
Total revenues	2,050,000	2,053,506	3,506
Expenditures:			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	440,499	560,610	(120,111)
Legal and professional services	4,249,088	1,129,609	3,119,479
Travel	24,000	10,220	13,780
Rents and leases	25,912	29,449	(3,537)
Office expenses	42,400	28,090	14,310
Telephone and network	12,000	9,108	2,892
Insurance	12,000	51,526	(39,526)
Other	167,472	\$66,469	101,003
Capital outlay	9,226,969	9,226,969	-
Total expenditures	14,200,340	11,112,049	3,088,290
Change in fund balance	\$ (12,150,340)	(9,058,544)	\$ 3,091,796
GAAP basis difference - compensated absences		-	
Fund balance - July 1, 2009		9,662,033	
Fund balance - February 28, 2010		\$ 603,489	

CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance
For the seven months ended
January 31, 2010

	General Fund	Adjustments	Statement of Net Assets
Assets			
Current assets:			
Cash	\$1,571,169	\$ -	\$ 1,571,169
Prepaid items	\$12,910	-	12,910
	1,584,079	-	1,584,079
Noncurrent assets:			
Deposits with others	196,673	-	196,673
Capital assets, net	-	\$111,907,940	111,907,940
	-	\$111,907,940	111,907,940
Total assets	\$ 1,780,752	111,907,940	\$ 113,688,692
Liabilities			
Liabilities:			
Accounts payable	45,207	-	45,207
Accrued salaries and benefits	141,741	-	141,741
Other accrued expenses	849,648	-	849,648
Compensated absences	0	57,677	57,677
	-	57,677	57,677
Total liabilities	\$ 1,036,596	\$ 57,677	\$ 1,094,273
Fund Balance/Net Assets			
Fund balance:			
Reserved for prepaid items and deposits with others	209,583	(209,583)	-
Unreserved, undesignated	534,573	(534,573)	-
	-	(534,573)	-
Total fund balance	744,156	(744,156)	-
Total liabilities and fund balance	\$ 1,780,752		
Net assets:			
Invested in capital assets, net of related debt		111,907,940	111,907,940
Unrestricted		686,479	686,479
		686,479	686,479
Total net assets		\$ 112,594,419	\$ 112,594,419

CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance
For the seven months ended
January 31, 2010

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues			
Program revenues:			
Operating grants and contributions:			
State of California appropriation to Receivership	\$ 1,750,000	-	\$ 1,750,000
General revenues:			
Investment earnings	3,500	-	3,500
Total revenues	<u>1,753,500</u>	<u>-</u>	<u>1,753,500</u>
Expenditures/Expenses:			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	506,729	-	506,729
Legal and professional services	1,045,566	-	1,045,566
Travel	8,588	-	8,588
Rents and leases	26,521	-	26,521
Insurance	48,931	-	48,931
Other	87,515	-	87,515
Depreciation	0	2,740,734	2,740,734
Capital outlay - Fixed Assets	8,947,526	(8,947,526)	-
Total expenditures/expenses	<u>10,671,377</u>	<u>(6,206,792)</u>	<u>4,464,585</u>
Change in fund balance	(8,917,877)	8,917,877	-
Change in net assets	-	6,206,792	(2,711,085)
Fund balance/net assets - July 1, 2009	<u>9,662,033</u>	<u>109,146,983</u>	<u>115,305,504</u>
Fund balance/net assets - January 31, 2010	<u>\$ 744,156</u>	<u>\$ 124,271,652</u>	<u>\$ 112,594,419</u>

CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance
For the seven months ended
January 31, 2010

	Final Budget	Actual (Budgetary Basis)	Variance between Final Budget and Actual
Revenues:			
State of California appropriation to Receivership	\$1,750,000	\$1,750,000	\$ -
Investment earnings	\$0	\$3,500	3,500
Total revenues	1,750,000	1,753,500	3,500
Expenditures:			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	400,762	506,729	(105,967)
Legal and professional services	3,717,952	1,045,566	2,672,386
Travel	21,000	8,588	12,412
Rents and leases	22,673	26,521	(3,848)
Office expenses	37,100	21,983	15,117
Telephone and network	10,500	8,375	2,125
Insurance	10,500	48,931	(38,431)
Other	146,538	\$57,157	89,381
Capital outlay	8,947,526	8,947,526	-
Total expenditures	13,314,551	10,671,377	2,643,174
Change in fund balance	\$ (11,564,551)	(8,917,877)	\$ 2,646,674
GAAP basis difference - compensated absences		-	
Fund balance - July 1, 2009		9,662,033	
Fund balance - January 31, 2010		\$ 744,156	