

**HEALTH SET**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

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**HEALTH SET**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

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Taylor, Roth and Company, PLLC  
Certified Public Accountants  
working exclusively with nonprofit organizations

December 9, 2011

Independent Auditors' Report

Board of Directors  
Health SET  
Denver, Colorado

We have audited the accompanying statement of financial position of **Health SET** (a Colorado nonprofit corporation) as of June 30, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Health SET's management. Our responsibility is to express an opinion on these financial statements based on our audit. Information for the year ended June 30, 2010, is presented for comparative purposes only and was extracted from the financial statements presented by net asset class for that year, on which an unqualified opinion dated February 1, 2011, was expressed.

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 Health SET as of June 30, 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.

*Taylor, Roth and Company, PLLC*  
TAYLOR, ROTH AND COMPANY, PLLC  
CERTIFIED PUBLIC ACCOUNTANTS

**HEALTH SET**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2011**  
**(WITH COMPARATIVE TOTALS FOR 2010)**

	2011	2010
<u>Assets</u>		
Cash and equivalents - unrestricted	\$ 125,738	\$ 253,557
Cash and equivalents - temporarily restricted	-	31,274
Grants receivable - temporarily restricted (Note 3)	60,000	132,976
Prepaid expenses	-	2,550
Investments - unrestricted and permanently restricted (Note 4)	542,565	458,306
Net property and equipment (Note 5)	2,571	2,334
Total assets	\$ 730,874	\$ 880,997
<u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 6,686	\$ 3,611
Accrued compensation	32,657	28,394
Deferred revenue	1,000	1,500
Due to related party (Note 6)	11,069	123,395
Total liabilities	51,412	156,900
 <u>Net assets</u>		
Unrestricted		
Operating	249,864	190,249
Temporarily restricted (Note 7)	60,000	164,250
Permanently restricted (Note 4)	369,598	369,598
Total net assets	679,462	724,097
Total liabilities and net assets	\$ 730,874	\$ 880,997

The accompanying notes are an integral part of these financial statements

**HEALTH SET**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2011**  
**(WITH COMPARATIVE TOTALS FOR 2010)**

	2011			2010	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<u>Revenue and other support</u>					
Grants and awards	\$ 104,216	\$ 95,000	\$ -	\$ 199,216	\$ 322,225
Contracts	122,500	-	-	122,500	127,138
Investment income	85,064	-	-	85,064	54,771
Special event income - net of expenses	15,057	-	-	15,057	15,191
Individual and board contributions	4,592	-	-	4,592	4,814
Other	1,399	-	-	1,399	2,602
In-kind (Note 8)	140,715	-	-	140,715	134,802
Net assets released from restrictions (Note 9)	199,250	(199,250)	-	-	-
Total revenue and other support	<u>672,793</u>	<u>(104,250)</u>	<u>-</u>	<u>568,543</u>	<u>661,543</u>
<u>Expenses</u>					
Program services	510,998	-	-	510,998	504,918
Supporting services					
Management and general	46,694	-	-	46,694	55,279
Fund-raising	55,486	-	-	55,486	57,577
Total expenses	<u>613,178</u>	<u>-</u>	<u>-</u>	<u>613,178</u>	<u>617,774</u>
Change in net assets	59,615	(104,250)	-	(44,635)	43,769
Net assets, beginning of year	<u>190,249</u>	<u>164,250</u>	<u>369,598</u>	<u>724,097</u>	<u>680,328</u>
Net assets, end of year	<u>\$ 249,864</u>	<u>\$ 60,000</u>	<u>\$ 369,598</u>	<u>\$ 679,462</u>	<u>\$ 724,097</u>

The accompanying notes are an integral part of these financial statements

**HEALTH SET**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2011**  
**(WITH COMPARATIVE TOTALS FOR 2010)**

	2011			2010	
	Program	Supporting Services		Total	Total
		Manage- ment and General	Fund- raising		
Salaries	\$ 276,012	\$ 26,928	\$ 33,660	\$ 336,600	\$ 375,901
Payroll taxes and benefits	67,656	6,601	8,250	82,507	85,935
Rent	95,571	5,310	5,309	106,190	104,154
Volunteer nurses	22,680	-	-	22,680	-
Database	16,210	-	-	16,210	-
Website	7,287	686	600	8,573	135
Printing	7,146	673	588	8,407	9,999
Travel	5,059	1,265	-	6,324	8,893
Special events	-	-	5,051	5,051	1,752
Supplies	1,024	2,284	630	3,938	2,572
Insurance	2,485	234	205	2,924	3,224
Professional services	722	1,083	602	2,407	10,646
Volunteer interpreters	1,800	-	-	1,800	-
Telephone	1,562	122	52	1,736	2,549
Copier lease	1,439	135	119	1,693	1,432
Volunteer pharmacists	1,120	-	-	1,120	-
Dues and subscriptions	878	97	-	975	2,148
Board and staff recognition	189	662	94	945	1,474
Bank fees	567	55	69	691	693
Meals	-	401	134	535	492
Marketing	347	41	20	408	1,507
Amortization of discount	-	-	-	-	2,595
All other	128	12	11	151	563
	<u>509,882</u>	<u>46,589</u>	<u>55,394</u>	<u>611,865</u>	<u>616,664</u>
Depreciation	1,116	105	92	1,313	1,110
Total	<u>\$ 510,998</u>	<u>\$ 46,694</u>	<u>\$ 55,486</u>	<u>\$ 613,178</u>	<u>\$ 617,774</u>

The accompanying notes are an integral part of these financial statements

**HEALTH SET**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2011**  
**(WITH COMPARATIVE TOTALS FOR 2010)**

	2011	2010
<b>Operating activities</b>		
Change in net assets	\$ (44,635)	\$ 43,769
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	1,313	1,110
Net realized and unrealized gains on investments	(84,259)	(54,044)
Changes in operating assets and liabilities		
(Increase) decrease in grants receivable	72,976	(43,353)
(Increase) decrease in prepaid expenses	2,550	(2,550)
Increase in accounts payable	3,075	2,296
Increase in accrued compensation	4,263	2,758
Increase (decrease) in due to related party	(112,326)	79,862
Increase (decrease) deferred revenue	(500)	1,500
Net cash provided by (used in) operating activities	(157,543)	31,348
<b>Investing activities</b>		
Purchases of property and equipment	(1,550)	(2,639)
Net cash used in investing activities	(1,550)	(2,639)
Net increase (decrease) in cash and equivalents	(159,093)	28,709
Cash and equivalents, beginning of year	284,831	256,122
Cash and equivalents, end of year	\$ 125,738	\$ 284,831

The accompanying notes are an integral part of these financial statements

**HEALTH SET**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 1 - ORGANIZATION**

Health SET was incorporated in the State of Colorado, and is an exempt organization under the provisions of Internal Revenue Code Section 501(c)(3). Health SET was formed for the purpose of providing health and social services to low-income seniors within the Denver area. Health SET serves the community by working cooperatively with other programs consistent with the ministries of Health SET. Health SET's main goal is to keep seniors living independently. Health SET is primarily supported by grants, and in-kind support from Catholic Health Initiatives Colorado (CHIC). Assistance for the programs is provided largely through volunteer work and the support of a small paid staff.

CHIC is the sole corporate member of Health SET. CHIC is a tax-exempt Colorado corporation that operates eight hospital campuses, as well as long-term care, home health and other related services throughout Colorado. CHIC has a 70% interest in Centura Health Corporation (CHC). CHC provides numerous services to CHIC, including processing accounts payable and payroll disbursements. CHIC provides in-kind support to Health SET in the form of payroll, accounting and other services. As the sole corporate member, CHIC has the ability to approve and remove board members and manage the operations of Health SET. Catholic Health Initiatives (CHI) is the sole corporate member of CHIC. CHI is also a tax-exempt Colorado corporation that sponsors hospitals and other health-care related entities in 20 states.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES**

**A. Basis of Accounting**

The financial statements of Health SET have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

**B. Basis of Presentation**

Health SET is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

**C. Cash and Equivalents**

Health SET considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**D. Donations**

Health SET reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor 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 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (Continued)

Health SET reports gifts of land, buildings, and equipment as unrestricted support unless the explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent donor stipulations regarding how long those long-lived assets must be maintained, Health SET reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

E. Capitalization and Depreciation

Health SET follows the practice of capitalizing all expenditures for property and equipment in excess of \$1,000. The fair value of donated assets is similarly capitalized. Depreciation of property and equipment is recorded over the estimated useful lives of the respective assets on a straight-line basis.

F. Estimates

Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

G. Income Taxes

Health SET has received an Internal Revenue Service exemption from federal income taxes under Section 501(c)(3). Accordingly, no provision or liability for income taxes has been provided in the accompanying financial statements.

H. Functional Reporting of Expenses

For the year ended June 30, 2011, the costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

I. Summarized Prior-Year 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 Health SET's financial statements for the year ended June 30, 2010, from which the summarized information was derived.

J. Subsequent Events

Management has evaluated subsequent events through December 9, 2011, the date the financial statements were available to be distributed.

K. Reclassifications

Certain prior-year balances have been reclassified to conform to the current year financial statement presentation.

NOTE 3 - GRANTS RECEIVABLE

As of June 30, 2011, grants are expected to be realized in the following period:

<u>Description</u>	<u>Amount</u>
In one year or less	<u>\$ 60,000</u>

Management has evaluated the grants receivable and does not believe that an allowance for doubtful accounts or discount to present value is necessary.

NOTE 4 - INVESTMENTS

Unrestricted funds not needed for current operations and donor restricted contributions are held in the CHI Investment Program. The Program is structured under a Limited Partnership agreement between CHI, as managing General Partner, and each participant.

All investments in the Program are professionally managed under the administration of CHI. Assets held by the Program were invested 35% in marketable fixed income securities, 46% in marketable equity securities and 19% in alternative investments as of June 30, 2011.

The Board of Trustees of Health SET has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Health SET classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment. Earnings on the endowment are considered available for use as determined by management and the board of directors.

For the year ended June 30, 2011, changes in investments were as follows:

<u>Description</u>	<u>Unrestricted</u>	<u>Permanently Restricted Endowment</u>	<u>Total</u>
Balance, beginning of year	\$ 88,708	\$ 369,598	\$ 458,306
Dividend and interest income	2,495	9,981	12,476
Net appreciation	14,713	58,854	73,567
Management fee	<u>(357)</u>	<u>(1,427)</u>	<u>(1,784)</u>
Total investment return	<u>16,851</u>	<u>67,408</u>	<u>84,259</u>
Transfer to operations	<u>67,408</u>	<u>(67,408)</u>	<u>-</u>
Balance, end of year	<u>\$ 172,967</u>	<u>\$ 369,598</u>	<u>\$ 542,565</u>

Additionally, Health SET earned interest income of \$805 on operating accounts.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

<u>Description</u>	<u>Amount</u>
Furniture, fixtures, and equipment	\$ 7,126
Less: accumulated depreciation	<u>(4,555)</u>
Net property and equipment	<u>\$ 2,571</u>

Depreciation expense for the year was \$1,313.

NOTE 6 - DUE TO RELATED PARTY

At June 30, 2011, Health SET owed Centura Health, a related company \$11,069, for salaries and other accounts payable. During the year Health SET reimbursed \$565,200 for salaries and other expenses paid by Centura Health. Additionally, during the year related parties provided \$75,000 of funding to Health SET.

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets receivable are for the following purposes:

<u>Description</u>	<u>Amount</u>
Fiscal year 2012 operations	\$ 50,000
Health promotions clinics	<u>10,000</u>
Total	<u>\$ 60,000</u>

NOTE 8 - IN-KIND CONTRIBUTIONS

Donated materials and services are reflected in the accompanying statements at their estimated values at date of receipt. The value of donated services and materials included in the financial statements and the corresponding expenses for the year are as follows:

<u>Description</u>	<u>Amount</u>
Office space – donated by CHIC	\$ 76,057
Health promotions clinics	30,133
Nurses	22,680
Website development	8,300
Interpreters	1,800
Pharmacists	1,120
Supplies	<u>625</u>
Total	<u>\$ 140,715</u>

NOTE 9 - NET ASSETS RELEASED FROM RESTRICTIONS

During the year, expenditures were made satisfying donor restrictions as follows:

<u>Description</u>	<u>Amount</u>
Fiscal year 2011 general operations	\$ 154,250
Health promotions clinics	<u>45,000</u>
Total	<u>\$ 199,250</u>

NOTE 10 - PENSION PLAN

Health SET participates in the Catholic Health Initiatives Retirement Plan (the Plan). The Plan is a noncontributory, defined benefit cash balance retirement plan covering substantially all employees. Benefits in the Plan are based on compensation, retirement age, and years of service. The Plan is qualified as a church plan exempt from certain provisions of both the Employees Retirement Income Security Act's and the Pension Benefit Guaranty Corporation's premiums and coverage. Funding requirements are determined by consultation with independent actuaries. Under the Plan, Health SET recognized pension expense of \$18,513 in 2011.