

**Sierra Vista Hospital
Development Organization**

Financial Statements and
Independent Auditors' Reports

December 31, 2008

**Sierra Vista Hospital Development Organization
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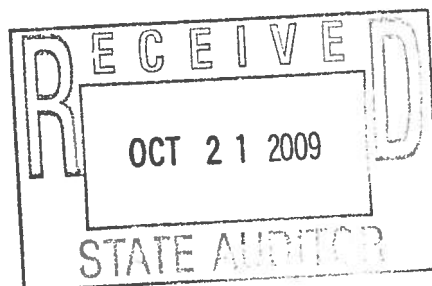
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INTRODUCTORY SECTION

**Sierra Vista Hospital Development Organization
Governing Board and Principal Employees
December 31, 2008**

Governing Board Members

Jack Whitt, Chair
Richard Bahr, Vice-Chair
Jerry Stagner, Secretary
Greg Neal
Lori Montgomery
Susan LaFont
Bobby Middleton
John Roberts

Ex-officio Members

Domenica Rush, Sierra Vista Hospital Administrator

Principal Employee

Ann Filosa, Executive Director

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Board of Directors
Sierra Vista Hospital Development Organization
and Mr. Hector H. Balderas, New Mexico State Auditor
Truth or Consequences, New Mexico

We have audited the accompanying statement of financial position of Sierra Vista Hospital Development Organization (a nonprofit organization) (the Organization) as of December 31, 2008, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 audit 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 on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. 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 the 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 the Organization as of December 31, 2008, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2009, on our consideration of the Organization'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 Organization taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes 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 the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington

October 14, 2009

Sierra Vista Hospital Development Organization
Statement of Financial Position
December 31, 2008

ASSETS

Current assets

Cash	\$	246,713
Promises to give		155,702
Total current assets		402,415

Promises to give, net of current portion		110,835
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Total assets	\$	513,250
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LIABILITIES AND NET ASSETS

Current liabilities

Deferred grant revenue	\$	42,813
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Net assets

Unrestricted net assets		470,437
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Total liabilities and net assets	\$	513,250
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See accompanying notes to financial statements.

Sierra Vista Hospital Development Organization
Statement of Activities
Year Ended December 31, 2008

<i>Revenues and other support</i>		
Federal grant	\$	668,234
Contributions		175,991
Donated services and other expenses		158,985
Total revenues and other support		1,003,210
<hr/>		
<i>Expenses</i>		
Distributions to Sierra Vista Hospital		668,234
Management and general		112,888
Fundraising		142,528
Total expenses		923,650
<hr/>		
Change in net assets		79,560
Net assets, beginning of year		390,877
Net assets, end of year		\$ 470,437

See accompanying notes to financial statements.

Sierra Vista Hospital Development Organization
Statement of Cash Flows
Year Ended December 31, 2008

Increase (Decrease) in Cash

Cash flows from operating activities

Cash received from grants	\$	711,047
Cash received from contributions		209,479
Payments to suppliers		(15,492)
Distributions to Sierra Vista Hospital		(668,234)
<hr/>		
Net cash provided by operating activities		236,800

Cash flows from financing activities

Payments on note payable		(15,000)
<hr/>		

Net increase in cash		221,800
Cash, beginning of year		24,913
<hr/>		

Cash, end of year	\$	246,713
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***Reconciliation of Change in Net Assets to Net Cash
Provided by Operating Activities***

Change in net assets	\$	79,560
<hr/>		

*Adjustments to reconcile change in net assets to
net cash provided by operating activities*

Provision for uncollectible promises to give		80,939
Change in assets and liabilities:		
Promises to give		33,488
Deferred grant revenue		42,813
<hr/>		
Total adjustments		157,240

Net cash provided by operating activities	\$	236,800
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Noncash Financing Activities

In 2008, the Organization recognized contributed salaries and overhead expenses in the amount of \$158,985 from Sierra Vista Hospital.

See accompanying notes to financial statements.

**Sierra Vista Hospital Development Organization
Notes to Financial Statements
Year Ended December 31, 2008**

1. Nature of Activities and Summary of Significant Accounting Policies:

a. Nature of Activities

Sierra Vista Hospital Development Organization (the Organization) is a New Mexico nonprofit corporation established for the procurement and extension of financial aid toward the operation, management, and expansion of facilities of Sierra Vista Hospital (the Hospital).

The Organization's primary sources of revenues are from general donations, the comprehensive fundraising campaign, and federal grants.

b. Summary of Significant Accounting Policies

Financial statement presentation – The financial statements of the Organization have been presented on the accrual basis. Contributions received or made, including unconditional promises to give, are to be recognized in the period received or made, respectively, at fair value. Not-for-profit financial statement presentation, requires the presentation of a statement of cash flows, and requires that amounts be classified based on the presence or absence of donor-imposed restrictions.

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

Cash and cash equivalents – The Organization considers all highly liquid investments purchased with an original maturity of less than 90 days to be cash equivalents. The Organization did not have any cash equivalents as of December 31, 2008.

Credit risk – The Organization maintains its cash balance at one local bank. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, these balances may be in excess of the FDIC limits; however, the Organization does not consider this to be a credit risk.

Income tax – The Organization is a nonprofit corporation as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

Promises to give – Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. The Organization uses the allowance method to determine uncollectible, unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Contributions – The Organization reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the 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. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

**Sierra Vista Hospital Development Organization
Notes to Financial Statements (Continued)
Year Ended December 31, 2008**

1. Nature of Activities and Summary of Significant Accounting Policies (continued):

b. Summary of Significant Accounting Policies (continued)

Deferred grant revenue – The Organization recognizes grant revenue when earned. Amounts received prior to the funds being earned are recorded as deferred grant revenue.

Net assets – Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Organization in perpetuity. Unrestricted net assets are remaining net assets that do not meet the definition of restricted.

The Organization did not have any temporarily or permanently restricted net assets at December 31, 2008.

Contributed services – During the year ended December 31, 2008, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

2. Promises to Give:

Promises to give at December 31, 2008, were as follows:

<hr/>	
<i>Due in</i>	
Less than one year	\$ 155,702
One to five years	215,062
	<hr/> 370,764
Unamortized discount	(23,288)
Allowance for uncollectible promises to give	(80,939)
	<hr/>
Promises to give	\$ 266,537

3. Note Payable:

A note was executed to the Organization in November 2007 in the amount of \$15,000 for the purpose of paying the Capital Quest consulting fees. Sierra Vista Hospital previously stated they would pay these fees. The note receivable was paid in full during fiscal year 2008.

4. Salary and Other Expense:

The Hospital pays for the majority of the Organization's operating costs in exchange for the Organization's fundraising activities. These costs included the Organization's director's salary and related benefits in 2008. The donated portion is recorded on the Organization's financial statements by recording contribution revenue and expense equal to the actual expense of the Hospital.

**Sierra Vista Hospital Development Organization
Notes to Financial Statements (Continued)
Year Ended December 31, 2008**

5. Concentrations of Credit Risk

The Organization receives both federal and private grants, as well as contributions and promises to give from individuals and private organizations. The majority of these promises to give are related parties of the Organization. The mix of promises to give from board members, employees, and other contributors (private and individual organizations) are as follows:

Board members	\$	159,724	43%
Sierra Vista Hospital employees		115,766	31%
Commercial and others		95,269	26%
	\$	370,759	100%

6. Commitments and Subsequent Events

In July 2009, the Organization received an individual promise to give in the amount of \$25,000 to be paid over five years. The promise to give is intended to be used towards future funding in the capital campaign project as needed. No donor restrictions were specified.

The Organization is committed to future distributions to Sierra Vista Hospital of approximately \$258,000.

In January 2009, the Organization approved capital purchases for Sierra Vista Hospital of approximately \$181,000. The purchases include a surgical endoscope/laparoscope, fetal monitor, pharmacy hood, and a mammography printer upgrade.

In February 2009, the Organization approved capital purchases for Sierra Vista Hospital of approximately \$37,000. The purchase was for a cardiac defibrillator and monitor for the emergency room and operating room.

In March 2009, the Organization approved capital purchases for Sierra Vista Hospital of approximately \$7,000. The purchase was for six computer workstations to establish a training center for Hospital employees.

In May 2009, the Organization approved capital purchases for Sierra Vista Hospital of approximately \$54,000. The purchase was for a Sysmex blood counter and backup blood counter for the lab.

In June 2009, the Organization approved capital purchases for Sierra Vista Hospital of approximately \$15,000. The purchase was for a bariatric bed, cardiac monitors, and warming closet.

SINGLE AUDIT

AUDITORS' SECTION

INDEPENDENT AUDITORS' 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*

Board of Directors
Sierra Vista Hospital Development Organization
and Mr. Hector H. Balderas, New Mexico State Auditor
Truth or Consequences, New Mexico

We have audited the financial statements of Sierra Vista Hospital Development Organization (the Organization) as of and for the year ended December 31, 2008, and have issued our report thereon dated October 14, 2009. We conducted our audit 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Organization'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 Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting findings 2008-1 thru 2008-4.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we consider items 2008-1 thru 2008-3 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2008-4.

The Organization's responses to the findings identified in our audit are described in the accompanying corrective action plan. We did not audit the Organization's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Directors, management, New Mexico State Auditor, 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.

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
October 14, 2009

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

Board of Directors
Sierra Vista Hospital Development Organization
and Mr. Hector H. Balderas, New Mexico State Auditor
Truth or Consequences, New Mexico

Compliance

We have audited the compliance of Sierra Vista Hospital Development Organization (the Organization) 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 its major federal program for the year ended December 31, 2008. The Organization's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization'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 Organization'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 of the Organization's compliance with those requirements.

As described in items 2008-SA-1 and 2008-SA-2 in the accompanying schedule of findings and questioned costs, the Organization did not comply with requirements regarding reporting that are applicable to the major federal program. Compliance with such requirements is necessary, in our opinion, for the Organization to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Organization complied, in all material respects, with the requirements referred to above that are applicable to the major federal program for the year ended December 31, 2008.

Internal Control Over Compliance

The management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with the 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 Organization's internal control over compliance.

A *control deficiency* in an entity's 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

The Organization's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Organization's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Directors, management, New Mexico State Auditor, 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.

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
October 14, 2009

**Sierra Vista Hospital Development Organization
 Schedule of Audit Findings and Questioned Costs
 Year Ended December 31, 2008**

Section I -- Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued:	<i>Unqualified</i>		
Internal control over financial reporting:			
• Material weakness(es) identified?	<input checked="" type="checkbox"/>	yes	<input type="checkbox"/> no
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<input checked="" type="checkbox"/>	yes	<input type="checkbox"/> none reported
Noncompliance material to financial statements noted?	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/> no

Federal Awards:

Internal control over major programs:			
• Material weakness(es) identified?	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/> no
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/> no

Type of auditors' report issued on compliance for major programs:	<i>Qualified</i>		
Any audit findings disclosed that are required to be reported in accordance with Section.510(a) of Circular A-133?	<input checked="" type="checkbox"/>	yes	<input type="checkbox"/> no

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
<u>93.887</u>	<u>Health Care and Other Facilities</u>

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/>	no
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**Sierra Vista Hospital Development Organization
Schedule of Audit Findings and Questioned Costs (Continued)
Year Ended December 31, 2008**

Section II -- Financial Statement Findings

2008-1 Preparation of Financial Statements

Criteria Internal control procedures over financial reporting include the ability to prepare financial statements in accordance with generally accepted accounting principles (GAAP). Financial statements prepared in accordance with GAAP include a statement of cash flows and notes.

Condition [] Compliance Finding [X] Significant Deficiency [X] Material Weakness
The Organization relies upon their independent auditor to prepare external financial statements in accordance with GAAP, as well as the knowledge to detect accuracy and completeness of all required footnotes.

Context This finding appears to be a systemic problem.

Effect There is an increased risk that internal controls over financial reporting may not be sufficient to detect any potential misstatements in the financial statements or the related notes.

Cause The Organization has not demonstrated the capability to prepare GAAP financial statements.

Recommendation The Organization should implement internal controls over financial reporting by having the accountant or designee review the draft financial statements, the support for the statement of cash flows and notes, and prepare a disclosure checklist.

**Sierra Vista Hospital Development Organization
Schedule of Audit Findings and Questioned Costs (Continued)
Year Ended December 31, 2008**

2008-2 Account Reconciliations

Criteria	There should not be any significant unresolved reconciling items in balance sheet accounts at month-end. [] Compliance Finding [X] Significant Deficiency [X] Material Weakness
Condition	Several accounts were not reconciled prior to, or during, our on-site visit. As a result, a significant number of audit adjustments were made during the audit.
Context	This finding appears to be a systemic problem.
Cause	The Organization had limited accounting staff which did not allow ample time to perform the necessary reconciliations for fiscal year 2008 in a timely fashion.
Effect	There is an increased risk that fraudulent activity would not be detected and inaccurate financial information would be used by management and the Board of Directors.
Recommendation	We recommend the balance sheet accounts and key revenue accounts be reconciled to supporting documentation at each month-end.

**Sierra Vista Hospital Development Organization
Schedule of Audit Findings and Questioned Costs (Continued)
Year Ended December 31, 2008**

2008-3 Segregation of Duties

Criteria Organizations are required to maintain internal controls over financial accounting and reporting systems to help ensure funds are properly safeguarded. Segregation of duties reduces the risk that a single employee could conduct inappropriate or illegal activities, conceal such activities, and not be discovered.

[] Compliance Finding [X] Significant Deficiency [X] Material Weakness

Condition There is only one employee (the director) in the Organization, and this employee is solely responsible for day-to-day operation. In addition a single volunteer accountant (the accountant) performs accounting and financial functions; however, there is not adequate segregation of duties between significant processes. Although the director reviews the accountant's reports, the director lacks the financial experience necessary to properly mitigate associated risks. The accountant also has the ability to generate and post adjustments to the general ledger.

Context This finding appears to be a systemic problem.

Cause There is an improper segregation of duties between the accounting and financial reporting functions.

Effect There is an increased risk of fraud or error in the financial reporting process to the Organization.

Recommendation Policies and procedures should be created that define personnel responsible for generating, posting, and approving journal entries in the Organization's general ledger as well as other accounting functions that properly segregate the duties of custody, authorization, and recording.

**Sierra Vista Hospital Development Organization
Schedule of Audit Findings and Questioned Costs (Continued)
Year Ended December 31, 2008**

2008-4 Late Submission of Audit Report

<i>Criteria</i>	New Mexico State Auditor Rule 2.2.2.9 (h) (the Rule) requires delivery of the financial statements of component units to the New Mexico State Auditor on or before the primary government's due date. The primary government's financial statements were due on or before October 15 of the fiscal year under audit. [X] Compliance Finding [X] Significant Deficiency [] Material Weakness
<i>Condition</i>	The financial statements as of and for the year ended December 31, 2008, were delivered to the New Mexico State Auditor on November 3, 2009. The statements were due, however, on October 15, 2009.
<i>Context</i>	This finding appears to be a systemic problem.
<i>Cause</i>	The Rule reporting requirements for the component unit caused confusion resulting in a late submission of the audit report.
<i>Effect</i>	The financial statements were not delivered in accordance with New Mexico State Auditor Rule 2.2.2.9 (h).
<i>Recommendation</i>	The Organization should establish procedures to ensure that accurate and timely submission of its annual financial report to ensure it complies with the Rule reporting requirements.

**Sierra Vista Hospital Development Organization
Schedule of Audit Findings and Questioned Costs (Continued)
Year Ended December 31, 2008**

Section III -- Federal Award Findings and Questioned Costs

2008-SA-1 Single Audit Report Submission – Compliance

Program Information:

U.S. Department of Health and Human Services
Health Care and Other Facilities, CFDA 93.887

<i>Criteria</i>	A grantee must submit the audit report within nine months after the end of the audit period, as required by OMB Circular A-133 compliance requirements. [X] Compliance Finding [] Significant Deficiency [] Material Weakness
<i>Condition</i>	The Organization failed to file the audit report for the year ended December 31, 2008, by the deadline.
<i>Context</i>	This finding appears to be an isolated occurrence.
<i>Cause</i>	Significant audit adjustments were necessary to reconcile account balances for financial statement preparation purposes.
<i>Effect</i>	The Organization is not abiding by the reporting requirements of the federal grant.
<i>Recommendation</i>	We recommend management assigns personnel with the proper knowledge and skills to be responsible for tracking and recording grant revenues and expenses.

**Sierra Vista Hospital Development Organization
Schedule of Audit Findings and Questioned Costs (Continued)
Year Ended December 31, 2008**

2008-SA-2 Reporting Requirements – Compliance

Program Information:

U.S. Department of Health and Human Services
Health Care and Other Facilities, CFDA 93.887

Criteria A grantee must submit annual progress reports using OMB Form 0915-0309 for the term of the grant as stated in the grant award.

[X] Compliance Finding [] Significant Deficiency [] Material Weakness

Condition The Organization failed to file an annual progress report for the year ended December 31, 2008.

Context This finding appears to be an isolated occurrence.

Cause The director and the volunteer accountant misinterpreted the reporting requirements for the progress report as being required at the project end date which is December 31, 2011.

Effect The Organization is not abiding by the reporting requirements of the federal grant.

Recommendation We recommend management establish procedures to ensure that all grant compliance requirements are identified, monitored on an on-going basis, and complied with.

AUDITEE'S SECTION

**Sierra Vista Hospital Development Organization
 Schedule of Expenditures of Federal Awards
 Year Ended December 31, 2008**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
United States Department of Health and Human Services		
Health Care and Other Facilities	93.887	\$ 668,234
Total expenditures of federal awards		\$ 668,234

See accompanying independent auditors' report.

1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Sierra Vista Hospital Development Organization and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements 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.

2. Pass-through of federal funds

In 2008, the Organization passed through federal funding in the amount of \$668,234 to Sierra Vista Hospital.

**Sierra Vista Hospital Development Organization
Corrective Action Plan
Year Ended December 31, 2008**

Current Year Audit Findings:

Finding Number	Corrective Action Planned
2008-1	Preparation of Financial Statements The Organization will prepare financial statements in accordance with generally accepted accounting principles (GAAP).
2008-2	Account Reconciliations Balance sheet accounts and revenue accounts will be reconciled to support documentation at the end of each month.
2008-3	Segregation of Duties This is an office with one professional, one quarter-time support staff, and a Board of Directors. Segregation of duties is something that will be difficult to address because there does not appear to be any opportunities available for increased staff. We will address this with independent reconciliations. The Executive Director cannot sign a check that is over \$2,000 without the additional signature of a designated Board member. We will utilize individual Board members in the capacity possible to address this finding.
2008-4	Late Submission of Audit Report We will establish procedures to ensure that future audits are completed in a timely fashion.
2008-SA-1	Single Audit Report Submission – Compliance We will work diligently to do a better job in our timely reporting and monitoring of required reports.
2008-SA-2	Reporting Requirements – Compliance We will work diligently to do a better job in our timely reporting and monitoring of required reports.

**Sierra Vista Hospital Development Organization
Exit Conference
Year Ended December 31, 2008**

An exit conference was held on August 14, 2009, with management to discuss the basic financial statements and the findings contained in this report. The personnel attending this meeting were:

Anne Filosa	Executive Director
Belinda Cloud	Accountant
Tristi Cohelan	Dingus, Zarecor & Associates PLLC
Holly Bamer	Dingus, Zarecor & Associates PLLC

An exit conference was held on October 26, 2009, with a member from the Board of Directors to discuss the basic financial statements and the findings contained in this report. The personnel attending this meeting were:

Richard Bahr	Governing Board, Vice-chair
Holly Bamer	Dingus, Zarecor & Associates PLLC

These financial statements were prepared by Dingus, Zarecor & Associates PLLC from records of the Organization.