

ASSOCIATION OF MATERNAL AND CHILD HEALTH PROGRAMS

AUDIT REPORT

**FINANCIAL AND FEDERAL AWARD
COMPLIANCE EXAMINATION**

FOR THE YEAR ENDED SEPTEMBER 30, 2010

ASSOCIATION OF MATERNAL AND CHILD HEALTH PROGRAMS

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FINANCIAL STATEMENTS

**ASSOCIATION OF MATERNAL AND
CHILD HEALTH PROGRAMS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2010
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2009**

ASSOCIATION OF MATERNAL AND CHILD HEALTH PROGRAMS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Association of Maternal and Child Health Programs
Washington, D.C.

We have audited the accompanying statement of financial position of the Association of Maternal and Child Health Programs (AMCHP) as of September 30, 2010, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of AMCHP's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from AMCHP's 2009 financial statements and, in our report dated March 1, 2010, we expressed an unqualified opinion on those statements.

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 AMCHP'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 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 AMCHP as of September 30, 2010, and its change in 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 on our consideration of AMCHP'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.

ASSOCIATION OF MATERNAL AND CHILD HEALTH PROGRAMS

STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2010
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2009

ASSETS

	<u>2010</u>	<u>2009</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 288,464	\$ 132,182
Investments (Notes 2 and 8)	867,537	875,439
Accounts receivable, net of allowance for doubtful accounts of \$4,950 in 2010 and 2009	9,920	8,352
Grants receivable	57,363	105,956
Prepaid expenses	<u>124,634</u>	<u>101,918</u>
Total current assets	<u>1,347,918</u>	<u>1,223,847</u>
FIXED ASSETS		
Equipment	255,653	255,653
Leasehold improvements	<u>164,312</u>	<u>164,312</u>
	419,965	419,965
Less: Accumulated depreciation and amortization	<u>(220,506)</u>	<u>(167,728)</u>
Net fixed assets	<u>199,459</u>	<u>252,237</u>
OTHER ASSETS - Security Deposit	<u>50,027</u>	<u>50,027</u>
TOTAL ASSETS	<u>\$ 1,597,404</u>	<u>\$ 1,526,111</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 158,617	\$ 166,638
Deferred revenue	201,235	106,330
Refundable advances	3,604	21,496
Deferred rent, current portion (Note 3)	<u>21,963</u>	<u>21,963</u>
Total current liabilities	<u>385,419</u>	<u>316,427</u>
LONG-TERM LIABILITIES		
Security deposit payable	1,700	3,900
Deferred rent, net of current portion (Note 3)	<u>225,772</u>	<u>217,684</u>
Total long-term liabilities	<u>227,472</u>	<u>221,584</u>
Total liabilities	<u>612,891</u>	<u>538,011</u>
NET ASSETS - Unrestricted	<u>984,513</u>	<u>988,100</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,597,404</u>	<u>\$ 1,526,111</u>

See accompanying notes to financial statements.

ASSOCIATION OF MATERNAL AND CHILD HEALTH PROGRAMS

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2010
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2009

	<u>2010</u>	<u>2009</u>
REVENUE		
Government grants (Notes 5 and 6)	\$ 2,725,580	\$ 2,813,669
Foundation grants	49,516	109,413
Membership	341,320	345,840
Registration and exhibit	274,964	249,877
Rental income (Note 3)	44,401	47,268
Sponsorship and contributions	23,825	32,821
Investment income (Note 2)	52,898	14,479
Other revenue	<u>3,976</u>	<u>6,443</u>
Total revenue	<u>3,516,480</u>	<u>3,619,810</u>
EXPENSES		
Program Services:		
Maternal and Child Health Programs and Policy	2,248,695	2,298,868
Training and Technical Assistance for Health Officials	249,676	290,977
Professional and Educational Services	-	896
Partnership and Coalition Meetings	74,097	63,826
Legislative Activities	250,728	227,437
Membership, Communications and Other Programs	84,434	73,917
Annual Conference	427,362	466,806
National Center for Health Reform	<u>26,239</u>	<u>-</u>
Total program services	<u>3,361,231</u>	<u>3,422,727</u>
Supporting Services:		
Management and General	157,049	139,881
Fundraising	<u>1,787</u>	<u>22,609</u>
Total supporting services	<u>158,836</u>	<u>162,490</u>
Total expenses	<u>3,520,067</u>	<u>3,585,217</u>
Change in net assets	(3,587)	34,593
Net assets at beginning of year	<u>988,100</u>	<u>953,507</u>
NET ASSETS AT END OF YEAR	<u>\$ 984,513</u>	<u>\$ 988,100</u>

ASSOCIATION OF MATERNAL AND CHILD HEALTH PROGRAMS

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2010
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2009**

	2010					
	Program Services					
	Maternal and Child Health Programs and Policy	Training and Technical Assistance for Health Officials	Partnership and Coalition Meetings	Legislative Activities	Membership, Communications and Other Programs	Annual Conference
Salaries	\$ 1,018,908	\$ 67,739	\$ 2,545	\$ 105,194	\$ 33,074	\$ 12,555
Benefits (Note 4)	218,233	14,509	545	22,531	7,084	2,689
Printing and production	3,472	-	-	4,261	3,068	12,429
Professional fees	46,186	5,523	4,000	7,500	5,018	97,310
Rent (Note 3)	-	-	-	-	-	-
Insurance	-	-	-	-	-	2,271
Depreciation and amortization	-	-	-	-	-	-
Telephone	32,856	644	225	19,601	10	423
Travel	186,198	58,957	54,746	8,086	410	14,243
Postage and delivery	3,287	78	252	30	1,459	7,507
Supplies	7,679	1,827	-	1,291	2,439	4,379
Subscriptions and publications	412	25	-	515	8,014	-
Meetings and conferences	76,475	42,475	10,172	2,183	1,895	257,530
Bank fees	-	-	-	-	792	8,075
Equipment	1,302	-	-	-	-	-
Information technology	-	-	-	-	-	-
Sub-grant	-	15,000	-	-	-	-
Dues to other organizations	348	-	-	2,916	225	-
Miscellaneous	178	-	-	10,000	-	-
Recruitment and training	1,935	-	-	-	-	-
Bad debt expense	-	-	-	-	-	-
Sub-total	<u>1,597,469</u>	<u>206,777</u>	<u>72,485</u>	<u>184,108</u>	<u>63,488</u>	<u>419,411</u>
Allocation of management and general	<u>651,226</u>	<u>42,899</u>	<u>1,612</u>	<u>66,620</u>	<u>20,946</u>	<u>7,951</u>
TOTAL	<u>\$ 2,248,695</u>	<u>\$ 249,676</u>	<u>\$ 74,097</u>	<u>\$ 250,728</u>	<u>\$ 84,434</u>	<u>\$ 427,362</u>

							2009
Supporting Services							
National Center for Health Reform	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses	Total Expenses	
\$ -	\$ 1,240,015	\$ 258,125	\$ 859	\$ 258,984	\$ 1,498,999	\$ 1,406,489	
-	265,591	54,381	184	54,565	320,156	334,060	
-	23,230	3,644	-	3,644	26,874	28,321	
20,500	186,037	151,119	-	151,119	337,156	499,989	
-	-	321,707	-	321,707	321,707	321,707	
-	2,271	7,708	-	7,708	9,979	7,539	
-	-	52,778	-	52,778	52,778	61,326	
-	53,759	11,817	-	11,817	65,576	50,682	
423	323,063	2,279	-	2,279	325,342	311,286	
-	12,613	2,199	-	2,199	14,812	21,405	
600	18,215	15,480	-	15,480	33,695	33,826	
-	8,966	615	-	615	9,581	5,043	
2,846	393,576	3,059	200	3,259	396,835	349,371	
1,870	10,737	-	-	-	10,737	5,532	
-	1,302	31,071	-	31,071	32,373	17,758	
-	-	21,442	-	21,442	21,442	22,091	
-	15,000	-	-	-	15,000	67,243	
-	3,489	4,333	-	4,333	7,822	11,600	
-	10,178	745	-	745	10,923	12,870	
-	1,935	128	-	128	2,063	12,129	
-	-	6,217	-	6,217	6,217	4,950	
26,239	2,569,977	948,847	1,243	950,090	3,520,067	3,585,217	
-	791,254	(791,798)	544	(791,254)	-	-	
\$ 26,239	\$ 3,361,231	\$ 157,049	\$ 1,787	\$ 158,836	\$ 3,520,067	\$ 3,585,217	

See accompanying notes to financial statements.

ASSOCIATION OF MATERNAL AND CHILD HEALTH PROGRAMS

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2010
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (3,587)	\$ 34,593
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	52,778	61,326
Unrealized (gain) loss on investments	(40,856)	4,047
Realized loss on sales of investments	-	3,262
Bad debt expense	6,217	4,950
(Increase) decrease in:		
Accounts receivable	(7,785)	75,487
Grants receivable	48,593	(73,506)
Prepaid expenses	(22,716)	(12,533)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(8,021)	(89,590)
Deferred revenue	94,905	24,110
Refundable advances	(17,892)	(5,808)
Deferred rent	8,088	15,638
Security deposits payable	(2,200)	-
Net cash provided by operating activities	<u>107,524</u>	<u>41,976</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	-	(5,000)
Purchase of investments	(274,140)	(917,287)
Proceeds from sales of investments	<u>322,898</u>	<u>893,687</u>
Net cash provided (used) by investing activities	<u>48,758</u>	<u>(28,600)</u>
Net increase in cash and cash equivalents	156,282	13,376
Cash and cash equivalents at beginning of year	<u>132,182</u>	<u>118,806</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 288,464</u>	<u>\$ 132,182</u>

ASSOCIATION OF MATERNAL AND CHILD HEALTH PROGRAMS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Association of Maternal and Child Health Programs (AMCHP) is a non-profit organization, incorporated and located in Washington, D.C. AMCHP was established to provide leadership to assure the health and well-being of all women of reproductive age, children and adolescents, including those with special health care needs, and their families.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

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 AMCHP's financial statements for the year ended September 30, 2009, from which the summarized information was derived.

Cash and cash equivalents -

AMCHP considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

At times during the year, AMCHP maintains cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included in investment income in the Statement of Activities and Change in Net Assets.

Accounts and grants receivable -

Accounts and grants receivable approximate fair value. The allowance for doubtful accounts is determined based upon an annual review of account balances, including the historical experience with the customer.

Contributions and grants -

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Temporarily restricted contributions and grants received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

ASSOCIATION OF MATERNAL AND CHILD HEALTH PROGRAMS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**
(Continued)

Contributions and grants (continued) -

AMCHP receives funding under grants and contracts from the U.S. government and other grantors for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such grants are considered exchange transactions and are recorded as unrestricted income to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements.

Grants receivable represents amounts due from funding organizations for reimbursable expenses incurred in accordance with the grant agreements. Grant funding received in advance of incurring the related expenses is recorded as a refundable advance.

Fixed assets -

Fixed assets in excess of \$3,000 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to eight years. Leasehold improvements are amortized over the remaining life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred.

Deferred revenue -

Deferred revenue consists of member dues and conference registration fees. AMCHP recognizes member dues on a pro-rata basis over the annual membership period. AMCHP recognizes conference registration fees when the event occurs.

Net asset classification -

The net assets are reported in three self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of AMCHP and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of AMCHP and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions. As of September 30, 2010, there were no temporarily restricted net assets.
- **Permanently restricted net assets** represent funds restricted by the donor to be maintained in-perpetuity by AMCHP. As of September 30, 2010, there were no permanently restricted net assets.

ASSOCIATION OF MATERNAL AND CHILD HEALTH PROGRAMS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)

Income taxes -

AMCHP is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. AMCHP is not a private foundation.

Uncertain tax positions -

In June 2006, the Financial Accounting Standards Board (FASB) released FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes. For the year ended September 30, 2010, AMCHP has documented its consideration of FASB ASC 740-10 and determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

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 the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Risks and uncertainties -

AMCHP invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Fair value measurements -

AMCHP adopted the provisions of FASB ASC 820, *Fair Value Measurements and Disclosures*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. AMCHP accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

ASSOCIATION OF MATERNAL AND CHILD HEALTH PROGRAMS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

2. INVESTMENTS

Investments consisted of the following at September 30, 2010:

	<u>Cost</u>	<u>Market Value</u>
Money market funds	\$ 260,286	\$ 260,286
Equity funds	260,132	204,553
Fixed income	328,500	331,995
Other	<u>61,575</u>	<u>70,703</u>
TOTAL INVESTMENTS	<u>\$ 910,493</u>	<u>\$ 867,537</u>

Included in investment income are the following:

Interest and dividends	\$ 12,042
Unrealized gain	<u>40,856</u>
TOTAL INVESTMENT INCOME	<u>\$ 52,898</u>

3. LEASE COMMITMENTS

AMCHP leases office space under a ten year agreement, which expires in June 2018. Base rent is \$300,161 for the first lease year. Rent increases by a factor of 2.5% per year, except in the 6th year, which will increase by \$2 per square foot (4.4%). The landlord provided an allowance for tenant improvements of \$219,630 which has been amortized over the life of the lease. The unamortized balance is included in deferred rent on the Statement of Financial Position

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability on the Statement of Financial Position.

The following is a schedule of the future minimum lease payments:

<u>Year Ended September 30,</u>	
2011	\$ 317,328
2012	325,261
2013	334,989
2014	348,153
2015	356,857
Thereafter	<u>1,027,132</u>
	<u>\$ 2,709,720</u>

Rent expense for the year ended September 30, 2010 was \$321,707. The deferred rent liability aggregated \$247,735 as of September 30, 2010.

ASSOCIATION OF MATERNAL AND CHILD HEALTH PROGRAMS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

3. LEASE COMMITMENTS (Continued)

AMCHP subleases a portion of its office space under two leases. One expired in June 2010, the other is continuing on a month-to-month basis.

Rental income for the year ended September 30, 2010 was \$44,401.

4. RETIREMENT PLAN

AMCHP provides retirement benefits to its employees through a 403(b) defined contribution plan covering all full-time employees. AMCHP made discretionary contributions to the plan totaling \$104,013 during the year ended September 30, 2010.

5. CONCENTRATION OF REVENUE

Approximately 78% of AMCHP's revenue for the year ended September 30, 2010 was derived from grants awarded by agencies of the United States Government. AMCHP has no reason to believe that relationships with these agencies will be discontinued in the foreseeable future. However, any interruption of these relationships (i.e., the failure to renew grant agreements or withholding of funds) would adversely affect AMCHP's ability to finance ongoing operations.

6. CONTINGENCY

AMCHP receives grants from various agencies of the United States Government. Such grants are subject to audit under the provisions of OMB Circular A-133. The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Audits in accordance with the provisions of OMB Circular A-133 have been completed for all required fiscal years through 2010. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

7. COMMITMENTS

AMCHP is committed under agreements for conference space through February 2013. The total commitments under the agreements are not determinable as it depends upon attendance and other unknown factors. There are cancellation penalties that would be due if the agreements were cancelled prior to the event date. The amount of the cancellation penalties increase through the date of the event.

8. FAIR VALUE MEASUREMENTS

In accordance with FASB ASC 820, *Fair Value Measurements and Disclosures*, AMCHP has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy.

ASSOCIATION OF MATERNAL AND CHILD HEALTH PROGRAMS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

8. FAIR VALUE MEASUREMENTS (Continued)

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market AMCHP has the ability to access.

Level 2. These are investments where values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions of management about assumptions market participants would use in pricing the investments. These investments include non-readily marketable securities that do not have an active market.

Financial assets recorded on the Statement of Financial Position are categorized based on the inputs to the valuation technique as follows for the year ended September 30, 2010:

Asset Category:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	<u>\$ 796,834</u>	<u>\$ 70,703</u>	<u>\$ -</u>	<u>\$ 867,537</u>

9. SUBSEQUENT EVENTS

In preparing these financial statements, AMCHP has evaluated events and transactions for potential recognition or disclosure through , the date the financial statements were issued.

**INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL
FINANCIAL INFORMATION**

To the Board of Directors
Association of Maternal and Child Health Programs
Washington, D.C.

Our report on our audit of the basic financial statements of the Association of Maternal and Child Health Programs appears on page I-3. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedules of Expenditures of Federal Awards and Findings and Questioned Costs are presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and are 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.

ASSOCIATION OF MATERNAL AND CHILD HEALTH PROGRAMS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

<u>Federal Granting Agency and Program Title</u>	<u>CFDA Number</u>	<u>2010 Expenditures</u>
Department of Health and Human Services / Health Resources and Services Administration:		
Partnership for State Title V MCH Leadership Community Cooperative Agreement	93.110	\$ 1,423,973
Adolescent Health/School-Based Health	93.110	136,341
Partnership for State Leadership Cooperative Agreement	93.110	<u>234,577</u>
Total CFDA 93.110		<u>1,794,891</u>
Department of Health and Human Services / Centers for Disease Control and Prevention:		
Strengthen and Improve the Nation's Public Health Capacity through National, Non-Profit, Professional Public Health Organizations to Increase Health Protection and Health Equity	93.283	81,679
AMCHP 2010 Annual Conference: The Road to 2010	93.283	<u>20,000</u>
Total CFDA 93.283		101,679
Category 2: Capacity Building Assistance for State Health Agencies	93.938	297,907
Maternal, Infant & Reproductive Health: National/State Coalition Capacity	93.946	<u>531,103</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 2,427,673</u>

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the Federal grant activity of AMCHP under programs of the Federal government for the year ended September 30, 2010. The information in the Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of AMCHP, it is not intended to and does not present the financial position, changes in net assets or cash flows of AMCHP.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained on OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Sub-recipients

Of the Federal expenditures presented in the Schedule, AMCHP provided Federal awards to sub-recipients as follows:

<u>Program Name</u>	<u>CFDA Number</u>	<u>Amount Provided to Sub-recipients Expenditures</u>
Department of Health and Human Services / Centers for Disease Control and Prevention:		
Category 2: Capacity Building Assistance for State Health Agencies	93.938	\$ 15,000

ASSOCIATION OF MATERNAL AND CHILD HEALTH PROGRAMS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

Section I - Summary of Auditor's Results

Financial Statements

- 1). Type of auditor's report issued: **Unqualified**
- 2). Internal control over financial reporting:
- Material weakness(es) identified? Yes No
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes None Reported
- 3). Noncompliance material to financial statements noted? Yes No

Federal Awards

- 4). Internal control over major programs:
- Material weakness(es) identified? Yes No
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes None Reported
- 5). Type of auditor's report issued on compliance for major programs: **Unqualified**
- 6). Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

7). Identification of major programs:

<u>Federal Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
Department of Health and Human Services / Health Resources and Services Administration:		
Partnership for State Title V MCH Leadership Community Cooperative Agreement	93.110	\$ 1,423,973
Adolescent Health/School-Based Health	93.110	\$ 136,341
Partnership for State Leadership Cooperative Agreement	93.110	\$ 234,577
Department of Health and Human Services / Centers for Disease Control and Prevention:		
Maternal, Infant & Reproductive Health: National/State Coalition Capacity	93.946	\$ 531,103

ASSOCIATION OF MATERNAL AND CHILD HEALTH PROGRAMS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

Section I - Summary of Auditor's Results (Continued)

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

\$300,000

9). Auditee qualified as a low-risk auditee?

Yes

No

Section II - Financial Statement Findings

There were no reportable findings.

Section III - Federal Award Findings and Questioned Costs (Circular A-133, Section .510)

Finding 2010-1: Procurement

Federal Program: All

Criteria: OMB Circular A-110 requires all recipients of Federal funds to establish written procurement procedures.

Condition: AMCHP has an established procurement policy, however, during fiscal year 2010 AMCHP did not retain documentation supporting procurement procedures.

Questioned Costs: None

Context, Effect and Cause: Of sixteen disbursements exceeding AMCHP's procurement threshold that were selected for testing, all lacked the necessary analysis of comparative price quotes. Without documentation supporting the procurement action, we cannot conclude that appropriate procedures were performed.

Recommendation: We recommend that AMCHP comply with their established policy and document all procurement actions.

Views of responsible officials and planned corrective actions:

ASSOCIATION OF MATERNAL AND CHILD HEALTH PROGRAMS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**Section IV - Prior Year Findings****Finding 2009-1: Allowable Costs****Federal Programs:** All

Criteria: OMB Circular A-122, Attachment A, part A4a(2) states that a cost is allocable to a Federal award if it is treated consistently with other costs incurred for the same purpose, in like circumstances, and if it benefits both the award and other work and can be distributed in reasonable proportion to the benefits received.

Condition: AMCHP has a service contract to manage the hosting and Microsoft SharePoint development of its web site. The majority of their work benefits AMCHP as a whole, but there are special cases where a project is program-specific. The cost of these services is spread across all cooperative agreements, based on the size of the cooperative agreement.

Questioned Costs: Unknown

Context, Effect and Cause: During the year ended September 30, 2009, 85% of the \$49,445 paid to this contractor was charged directly to the cooperative agreements. There were no procedures in place to ensure that costs were charged based on the benefits received by each program.

Recommendation: We recommend AMCHP develop procedures to identify 1) the program-specific costs to be charged directly to its cooperative agreements and, 2) the general administrative costs, which should be allocated as part of the indirect rate calculation.

Current Year Status: AMCHP revised its procedures to track program-specific costs after March 2010, when the prior year finding was issued. For the remainder of the year, all payments to this contractor were charged to management and general expense, and allocated to programs through indirect costs.

**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**

To the Board of Directors
Association of Maternal and Child Health Programs
Washington, D.C.

We have audited the financial statements of the Association of Maternal and Child Health Programs (AMCHP) as of and for the year ended September 30, 2010, and have issued our report thereon dated . 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 AMCHP'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 AMCHP's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of AMCHP'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 AMCHP's 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 AMCHP's internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in AMCHP's internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether AMCHP'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*.

We noted certain matters that we reported to management of AMCHP in a separate letter dated .

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, 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.

**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**

To the Board of Directors
Association of Maternal and Child Health Programs
Washington, D.C.

Compliance

We have audited the compliance of the Association of Maternal and Child Health Programs (AMCHP) 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 September 30, 2010. AMCHP'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 AMCHP's management. Our responsibility is to express an opinion on AMCHP'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 AMCHP'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 AMCHP's compliance with those requirements.

In our opinion, AMCHP 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 September 30, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as Finding 2010-1.

Internal Control Over Compliance

The management of AMCHP 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 AMCHP'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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 AMCHP's internal control over compliance.

A deficiency in AMCHP's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, 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 AMCHP's 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 over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in AMCHP's internal control over compliance that we consider to be material weaknesses, as defined above.

We did not identify any deficiencies in AMCHP's internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying Schedule of Findings and Questioned Costs as Finding 2010-1. A *significant deficiency* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

AMCHP's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit AMCHP's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, 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.