

**SPECIAL MEETING OF THE AUDIT COMMITTEE OF THE
BOARD OF DIRECTORS
MONDAY, NOVEMBER 27, 2023, 9:00 A.M.**

PLEASE SEE PAGE 2 FOR MEETING LOCATION

	<u>Time</u>	<u>Page</u>	<u>Target</u>
I. CALL TO ORDER			9:00
II. PUBLIC COMMENTS	15		9:15
<i>5 minutes allowed per speaker, with a cumulative total of 15 minutes per group For further details and policy see Request for Public Comment notice on the website</i>			
III. INFORMATION ITEMS			
A. None	0		9:15
IV. OLD BUSINESS			
A. None	0		9:15
V. MINUTES			
*A. Tuesday, September 5, 2023, Special Meeting (<i>TO BE DISTRIBUTED AT THE MEETING</i>)	2	3	9:17
VI. NEW BUSINESS			
*A. Audited Financial Statements – FYE June 30, 2023– (<i>Addenda A & B – Pp 5-10 & 11-24</i>) <i>Aldrich CPAs & Advisors LLP</i>	20	4	9:37
VII. PRESENTATIONS			
*A. NONE			
VIII. COMMITTEE MEMBER COMMENTS/FUTURE AGENDA ITEMS	5	—	9:42
IX. FINAL ADJOURNMENT			9:42

Next Meeting: TBD

**Palomar Health Development, Inc.
Audit Committee of the Board of Directors**

Linda Greer, RN, Chairperson

Laurie Edwards-Tate, Vice-Chairperson

**If you have a disability, please contact us 72 hours prior to scheduled meeting time
by calling 760-740-6383 to arrange reasonable accommodations**

- **The Linda Greer Conference Room, 2125 Citracado Parkway, Suite 300, Escondido, CA 92029**
 - PHD Board members who are also elected members of the Palomar Health Board of Directors will attend at this location, unless otherwise noticed below
 - Elected members of the Board of Directors of Palomar Health who are not members of the PHD Board and wish only to observe, non-Board member attendees, and members of the public may also attend at this location
- **Join on your computer, mobile app or room device:**
 - [Click here to join the meeting](#) | Meeting ID: 262096676798; Passcode: FkSxwE |
OR
- **Dial in using your phone (*audio only*):**
 - **929.352.2216** | Phone Conference ID: **357 842 204#** |
 - Elected members of the Board of Directors of Palomar Health who are not members of the PHD Board and wish only to observe, non-Board member attendees, and members of the public may attend the meeting virtually utilizing the above option

**Minutes from the September 5, 2023
Special Palomar Health Development Audit Committee Meeting**

TO: Audit Committee of the Palomar Health Development Board

MEETING DATE: Monday, November 27, 2023

FROM: Tanya Howell, Corporate Secretary

Background: The minutes from the special meeting of the PHD Audit Committee, held on Tuesday, September 5, 2023, were not yet final at the time of posting. Should they be completed prior to the meeting, they will be submitted at that time for approval.

Budget Impact: N/A

STAFF RECOMMENDATION: To be provided at the meeting

Motion:

Individual Action:

Information:

Required Time:

**Presentation of the External Auditing Firm
Aldrich CPAs & Advisors LLP**

TO: Audit Committee of the Palomar Health Development Board

MEETING DATE: Monday, November 27, 2023

FROM: Tanya Howell, Corporate Secretary

Background: The external auditing firm of Aldrich CPAs & Advisors LLP has been retained to perform an audit of the FYE June 30, 2023, financial reports of Palomar Health Development, Inc.

Representatives from the firm will present the final draft audited financials at the meeting (Addenda A & B).

Budget Impact: Budgeted

STAFF RECOMMENDATION: Staff recommends approval of the audit of the FYE June 30, 2023, financial reports.

Motion: X

Individual Action:

Information:

Required Time:

ADDENDUM A

Palomar Health Development, Inc.

Report to the Board of Directors

Year Ended June 30, 2023



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MANAGEMENT REPRESENTATION LETTER	5

DRAFT

To assist you in your responsibilities as a member of the Board of Directors, this section summarizes the most significant conclusions reached and issues addressed during our audit of Palomar Health Development, Inc. for the year ended June 30, 2023.

Significant Conclusions and Issues

We have completed our audit and have issued our report dated **DATE PENDING**. Based on our work performed:

- Our audit scope was in accordance with our engagement letter dated August 15, 2023.
- We rendered an unmodified opinion on the June 30, 2023 financial statements.
- We did not identify conditions which we consider to be material weaknesses in internal controls.
- Audit areas designated as greater than normal risk have been addressed and resolved to our satisfaction, in the context of the overall fairness of the presentation of the financial statements.
- We received the full cooperation of management and staff throughout the audit and were kept informed as to developments and plans affecting our audit scope.

The following report includes required communications and additional information for the benefit of the Board of Directors.

DRAFT

DATE PENDING

To the Board of Directors
Palomar Health Development, Inc.

In planning and performing our audit of the financial statements of Palomar Health Development, Inc. (Organization) as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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 internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of the Board of Directors and management of Palomar Health Development, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Aldrich CPAs + Advisors LLP

DATE PENDING

To the Board of Directors
Palomar Health Development, Inc.

We have audited the financial statements of Palomar Health Development, Inc. (Organization) as of and for the year ended June 30, 2023, and have issued our report thereon dated **DATE PENDING**. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 15, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit MattersQualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant policies used by the Organization are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements are:

Management's estimate for the allowance for doubtful accounts. It is the policy of management to review the outstanding receivables at year end, as well as bad debt write-offs experienced in the past, and establish an allowance for doubtful accounts for uncollectible amounts. Management believes all receivables are fully collectible. Therefore, no allowance for doubtful accounts is considered necessary.

Management's estimate of the allocation of functional expenses is based on appropriate assumptions. We evaluated the key factors and assumptions used to develop the assumptions related to the allocation of functional expenses in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements are Note 3 and Note 4 to the financial statements.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated **DATE PENDING**. A copy of that letter is included in this report for your reference.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of Palomar Health Development, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Aldrich CPAs + Advisors

DRAFT

ADDENDUM B

Palomar Health Development, Inc.

Financial Statements

Years Ended June 30, 2023 and 2022



PALOMAR HEALTH DEVELOPMENT, INC.

Financial Statements

Years Ended June 30, 2023 and 2022

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DRAFT

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Palomar Health Development, Inc.
Escondido, California

Opinion

We have audited the accompanying financial statements of Palomar Health Development, Inc. (a nonprofit Organization), which comprise the statements of financial position as of June 30, 2023 and 2022, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Palomar Health Development, Inc. as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Palomar Health Development, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis-of-Matter Regarding Economic Dependency

Palomar Health Development, Inc. was formed to support Palomar Health (PH) and the financial activity between the two organizations is significant. Palomar Health Development, Inc. is economically dependent on PH. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Palomar Health Development, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

INDEPENDENT AUDITOR'S REPORT, CONTINUED

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Palomar Health Development, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Palomar Health Development, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Carlsbad, California

DATE PENDING

PALOMAR HEALTH DEVELOPMENT, INC.**Statements of Financial Position**

June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Current Assets:		
Cash	\$ 2,267,634	\$ 1,999,815
Grants receivable	600,886	793,194
Prepaid expenses	<u>3,347</u>	<u>3,111</u>
 Total Assets	 \$ <u><u>2,871,867</u></u>	 \$ <u><u>2,796,120</u></u>
 LIABILITIES AND NET ASSETS		
Current Liabilities:		
Line of credit - Palomar Health	\$ 1,736,646	\$ 1,788,010
Accounts payable - Palomar Health	706,576	756,187
Accounts payable - other	<u>2,437</u>	<u>2,970</u>
 Total Liabilities	 2,445,659	 2,547,167
Net Assets:		
Without donor restrictions	241,250	2,359
With donor restrictions	<u>184,958</u>	<u>246,594</u>
 Total Net Assets	 <u>426,208</u>	 <u>248,953</u>
 Total Liabilities and Net Assets	 \$ <u><u>2,871,867</u></u>	 \$ <u><u>2,796,120</u></u>

See accompanying notes to financial statements.

PALOMAR HEALTH DEVELOPMENT, INC.**Statement of Activities**

Year Ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and Support:			
Grant revenue	\$ 3,644,244	\$ 7,000	\$ 3,651,244
Other income	12,527	-	12,527
Net assets released from restrictions:			
Satisfaction of time restrictions	<u>68,636</u>	<u>(68,636)</u>	<u>-</u>
Total Revenue and Support	3,725,407	(61,636)	3,663,771
Expenses:			
Program services	3,008,600	-	3,008,600
General and administrative	<u>477,916</u>	<u>-</u>	<u>477,916</u>
Total Expenses	<u>3,486,516</u>	<u>-</u>	<u>3,486,516</u>
Changes in Net Assets	238,891	(61,636)	177,255
Net Assets, beginning	<u>2,359</u>	<u>246,594</u>	<u>248,953</u>
Net Assets, ending	<u>\$ 241,250</u>	<u>\$ 184,958</u>	<u>\$ 426,208</u>

See accompanying notes to financial statements.

PALOMAR HEALTH DEVELOPMENT, INC.**Statement of Activities**

Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:			
Grant revenue	\$ 3,603,141	\$ -	\$ 3,603,141
Other income	610	-	610
Net assets released from restrictions:			
Satisfaction of time restrictions	<u>70,291</u>	<u>(70,291)</u>	<u>-</u>
Total Revenue and Support	3,674,042	(70,291)	3,603,751
Expenses:			
Program services	2,946,043	-	2,946,043
General and administrative	<u>469,299</u>	<u>-</u>	<u>469,299</u>
Total Expenses	<u>3,415,342</u>	<u>-</u>	<u>3,415,342</u>
Changes in Net Assets	258,700	(70,291)	188,409
Net Assets (Deficit), beginning	<u>(256,341)</u>	<u>316,885</u>	<u>60,544</u>
Net Assets, ending	<u>\$ 2,359</u>	<u>\$ 246,594</u>	<u>\$ 248,953</u>

See accompanying notes to financial statements.

PALOMAR HEALTH DEVELOPMENT, INC.**Statement of Functional Expenses**

Year Ended June 30, 2023

	Program Services	General and Administrative	Total
Salaries and wages	\$ 1,662,418	\$ 262,820	\$ 1,925,238
Employee benefits	447,399	78,846	526,245
Professional fees	297,194	18,525	315,719
Purchased services	256,957	5	256,962
Emergency needs for clients	113,214	-	113,214
Building rent	83,744	-	83,744
Interest	-	68,636	68,636
Parent Activities	43,478	-	43,478
Consulting fees	-	42,000	42,000
Incentives	23,553	-	23,553
Travel	16,137	-	16,137
Supplies	15,493	-	15,493
Training	13,509	-	13,509
License fees	10,769	-	10,769
Utilities	8,972	-	8,972
Other	3,945	2,298	6,243
Dues and subscriptions	5,300	-	5,300
Minor Equipment	4,955	-	4,955
Repairs and maintenance	-	4,786	4,786
Equipment rent	1,563	-	1,563
	<u>\$ 3,008,600</u>	<u>\$ 477,916</u>	<u>\$ 3,486,516</u>

See accompanying notes to financial statements.

PALOMAR HEALTH DEVELOPMENT, INC.**Statement of Functional Expenses**

Year Ended June 30, 2022

	Program Services	General and Administrative	Total
Salaries and wages	\$ 1,686,342	\$ 261,993	\$ 1,948,335
Employee benefits	445,389	78,598	523,987
Professional fees	321,491	16,000	337,491
Purchased services	271,656	-	271,656
Interest	-	70,291	70,291
Building rent	68,421	-	68,421
Consulting fees	-	36,000	36,000
Supplies	31,074	338	31,412
Emergency needs for clients	29,464	-	29,464
Other	13,363	1,602	14,965
Incentives	14,116	-	14,116
Repairs and maintenance	9,055	4,477	13,532
Training	13,527	-	13,527
Travel	12,631	-	12,631
License fees	10,293	-	10,293
Utilities	8,987	-	8,987
Dues and subscriptions	5,565	-	5,565
Equipment rent	4,669	-	4,669
	<u>\$ 2,946,043</u>	<u>\$ 469,299</u>	<u>\$ 3,415,342</u>

See accompanying notes to financial statements.

PALOMAR HEALTH DEVELOPMENT, INC.**Statements of Cash Flows**

Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 177,255	\$ 188,409
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Line of credit discount - Palomar Health	68,636	70,291
Changes in operating assets and liabilities:		
Grants receivable	192,308	(143,218)
Prepaid expenses	(236)	(189)
Accounts payable - Palomar Health	(49,611)	174,676
Accounts payable - other	(533)	970
Net Cash Provided by Operating Activities	<u>387,819</u>	<u>290,939</u>
Cash Flows Used by Financing Activities:		
Net activity on line of credit - Palomar Health	<u>(120,000)</u>	<u>(120,001)</u>
Net Increase in Cash	267,819	170,938
Cash, beginning	<u>1,999,815</u>	<u>1,828,877</u>
Cash, ending	<u>\$ 2,267,634</u>	<u>\$ 1,999,815</u>
Supplemental Disclosures of Noncash Financing Activities:		
Interest relieved from restrictions as contribution	<u>\$ 68,636</u>	<u>\$ 70,291</u>

See accompanying notes to financial statements.

PALOMAR HEALTH DEVELOPMENT, INC.

Notes to Financial Statements

Years Ended June 30, 2023 and 2022

Note 1 - Organization and Summary of Significant Accounting Policies

Nature of Activities

Palomar Health Development, Inc. (Organization) is a California charitable nonprofit public benefit corporation organized in January 2005 to support Palomar Health (PH), a California local health care district, by acquiring grant funding.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Financial Statement Presentation

The financial statements of the Organization have been prepared in accordance with GAAP, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose allowable under Internal Revenue Code sections 501(c)(3) in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

The Organization did not have any donor restrictions that were perpetual in nature for the years ended June 30, 2023 and 2022. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Fair Value Measurements

The Organization defines fair value as the exchange price that would be received for an asset or paid for a liability in the principal or most advantageous market. The Organization applies fair value measurements to assets and liabilities that are required to be recorded at fair value under GAAP. Fair value measurement techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

The carrying value of cash, receivables, and payables approximate fair values as of June 30, 2023 and 2022, due to the relative short maturities of these instruments.

Grants Receivable

Grants receivable arise in the normal course of business. It is the policy of management to review the outstanding receivables at year end, as well as the bad debt write-offs experienced in the past, and establish an allowance for doubtful accounts for uncollectible amounts. Management believes all receivables are fully collectible. Therefore, no allowance for doubtful accounts is considered necessary.

Grant Revenue

Grant revenues for the Organization primarily consist of fee-for-service contracts and grants awarded by governmental agencies. Revenue for grants with conditions is recorded when the conditions are met, which is typically when services are performed.

PALOMAR HEALTH DEVELOPMENT, INC.

Notes to Financial Statements

Years Ended June 30, 2023 and 2022

Note 1 - Organization and Summary of Significant Accounting Policies, continued

Revenue Recognition

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Functional Expense Allocations

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. These expenses are reported on a reasonable basis that is consistently applied. Indirect expenses are allocated to salaries and benefits to the program they relate to. All other expenses are broken out by accounts and can be directly charged to the appropriate function based upon actual expenses and time and effort.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. The Organization may be subject to tax on income which is not related to its exempt purpose. For the years ended June 30, 2023 and 2022, no such unrelated business income was reported and, therefore, no provision for income taxes has been made.

The Organization has considered the tax positions taken in its tax returns and believes that all of the positions taken by the Organization in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination.

Subsequent Events

The Organization has evaluated subsequent events through **DATE PENDING**, which is the date the financial statements were available to be issued.

Note 2 - Concentrations of Credit Risk

Cash

The Organization maintains cash accounts at various financial institutions. The balances at times may exceed Federal Deposit Insurance Corporation (FDIC) limits. Accounts at each financial institution are insured by the FDIC up to \$250,000.

Grant Revenue

The Organization and the First 5 Commission of San Diego (Commission) entered into an agreement to provide health development services for children birth through five years of age. The contract term is through June 30, 2025. The Healthy Development Services Program, funded by the Commission, provided 45% and 43% of the Organization's grant revenue for the years ended June 30, 2023 and 2022, respectively, and 62% and 43% of the Organization's grants receivable at June 30, 2023 and 2022, respectively.

The Organization and the Commission entered into an agreement to provide targeted home visiting initiative services. The contract term is through June 30, 2025. The First Five First Steps, funded by the Commission, provided 23% and 27% of the Organization's grant revenue for the years ended June 30, 2023 and 2022, respectively, and 25% and 31% of the Organization's grants receivable at June 30, 2023 and 2022, respectively.

The Organization and the San Diego County Sheriff's Department (the Department) entered into an agreement to provide victim services. The contract term is through June 30, 2023. The Victim Services Program, funded by the Department, was 9% of the Organization's grants receivable at June 30, 2023.

PALOMAR HEALTH DEVELOPMENT, INC.

Notes to Financial Statements

Years Ended June 30, 2023 and 2022

Note 2 - Concentrations of Credit Risk, continued

Economic Dependency

The Organization is economically dependent on PH.

Note 3 - Liquidity and Availability of Resources

The Organization does not typically receive significant donations of restricted cash or other assets requiring long-term (more than 12 months) management practices. Grants awarded or restricted donations are typically current activities and such awards are consumed within the current fiscal period for the intended purpose or are received as reimbursements after approved expenditures are documented.

The Organization has a \$3,400,000 credit line from PH to support general operations as needed. Financial statements and cash needs are reviewed periodically by the Organization's board of directors and (if necessary) draw requests are reviewed for approval. At June 30, 2023, the available credit limit on the line of credit is approximately \$1,600,000. The Organization made payments of \$120,000 on the credit line during the fiscal year, net of reimbursements to PH for program expenses initially funded by PH.

The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

	<u>2023</u>	<u>2022</u>
Cash	\$ 2,267,634	\$ 1,999,815
Grants receivable	<u>600,886</u>	<u>793,194</u>
Total financial assets	2,868,520	2,793,009
Less amounts not available to be used within one year:		
Restricted by donor with purpose restrictions	<u>(15,706)</u>	<u>(8,706)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u><u>2,852,814</u></u>	\$ <u><u>2,784,303</u></u>

Note 4 - Net Assets

Net assets with donor restrictions are available for the following purposes at June 30:

	<u>2023</u>	<u>2022</u>
Interest on note payable to PH	\$ 169,252	\$ 237,888
Child Sexual Abuse Program	14,877	7,877
Sexual Assault Response Team Staff Ed.	<u>829</u>	<u>829</u>
	\$ <u><u>184,958</u></u>	\$ <u><u>246,594</u></u>

Net assets were released from donor restrictions by incurring expenses to satisfy program restriction or passage of time. For the years ended June 30, 2023 and 2022, interest on the note payable to PH of \$68,636 and \$70,291 were released from donor restrictions, respectively.

PALOMAR HEALTH DEVELOPMENT, INC.

Notes to Financial Statements

Years Ended June 30, 2023 and 2022

Note 5 - Related Party Transactions

Financial and Accounting Services Agreement

The Organization has a financial and accounting service agreement with PH. Under the agreement, PH provides managerial, administrative, financial, and accounting services to the Organization. The value of services provided by PH is reimbursed by the Organization and included in accounts payable. The reimbursed expenses included all payroll services as well as other expenses. The amount of expenses reimbursed by the Organization to PH during the years then ended June 30, 2023 and 2022, were \$3,516,254 and \$3,451,219, respectively. At June 30, 2023 and 2022, the amount due to PH was \$706,576 and \$756,187, respectively.

Note Payable and Line of Credit

The Organization has a note payable from PH that expires on January 25, 2026. The line of credit is interest-free, 60 payments of \$10,000 are due monthly, and a balloon payment is due on January 24, 2026. At June 30, 2023 and 2022, the amount due to PH related to this agreement was \$1,736,646 and \$1,788,010, respectively. The Organization recorded a contribution and a discount for the imputed interest using the rate of 3.28% (line of credit rate at expiration). Imputed interest expense of \$68,636 and \$70,291 is reported in the statements of activities for the years ended June 30, 2023 and 2022, respectively. The unamortized discount for this agreement was \$169,253 and \$237,888, for the years ended June 30, 2023 and 2022, respectively.

The line of credit is secured by substantially all the Organization's assets.

Note 6 - Operating Lease

The Organization reimburses PH for building space related to the First 5 program. There is no formal lease agreement and the activity is structured on a month-to-month basis. Rent expense was \$83,744 and \$68,421 for the years ended June 30, 2023 and 2022, respectively.