

RESOLUTION NO. 12.19.23(01)-6

RESOLUTION OF THE BOARD OF DIRECTORS OF  
PALOMAR HEALTH DEVELOPMENT, INC.  
AUTHORIZING ACCEPTANCE OF THE INDEPENDENT AUDIT  
OF THE ANNUAL FINANCIAL REPORT OF  
PALOMAR HEALTH DEVELOPMENT, INC., FOR FISCAL YEAR END 2023  
AS THE ANNUAL REPORT

**WHEREAS**, Palomar Health Development, Inc. [Palomar Health Development] is required, pursuant to Section 54954 of the California Government Code and Article VII, Section 7.09 of the Amended and Restated Bylaws of Palomar Health Development, to pass a resolution accepting the Annual Report; and,

**WHEREAS**, no later than one hundred twenty (120) days after the close of the Corporation's fiscal year, the Corporation shall make available to each director an Annual Report in accordance with Section 6321 of the Law, which shall be accompanied by any report of independent accountants or, if there is no such accountant's report, the certificate of an authorized officer of the Corporation that such statements were prepared without audit from the books and records of the Corporation; and,

**WHEREAS**, it is understood that the Fiscal Year End 2023 Audit was delayed for good and purposeful reasons and, therefore, not completed within 120 days;

**NOW, THEREFORE, IT IS HEREBY RESOLVED** by the Board of Directors of Palomar Health Development that the Annual Financial Report for Fiscal Year End 2023 (Audited) of Palomar Health Development, Inc., a California Nonprofit Public Benefit Corporation, as augmented by the report of independent accountants of Aldrich CPAs + Advisors, LLC, of San Diego, California, as presented to the Board of Directors on December 19, 2023, and adopted in the form attached hereto, is hereby accepted as the Annual Report of Palomar Health Development.

**PASSED AND ADOPTED** at the meeting of the Board of Directors of Palomar Health Development held on December 19, 2023, by the following vote:

AYES: Corrales Edwards-Tate Greer Hansen  
King

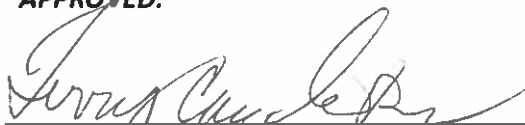
NOES:

ABSENT:

ABSTAINING:

DATED: December 19, 2023

**APPROVED:**



Terry Corrales, RN, Chairperson  
Board of Directors  
Palomar Health Development, Inc.

**ATTESTED:**



Linda C. Greer, RN, Secretary  
Board of Directors  
Palomar Health Development, Inc.

# 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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## 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.

*Aldrich CPAs + Advisors LLP*

Carlsbad, California

December 7, 2023

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

June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
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>\$ 2,871,867</u>	<u>\$ 2,796,120</u>
<b>LIABILITIES AND NET ASSETS</b>		
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>\$ 2,871,867</u>	<u>\$ 2,796,120</u>

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

Year Ended June 30, 2023

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	<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><u>241,250</u></u>	 \$ <u><u>184,958</u></u>	 \$ <u><u>426,208</u></u>

See accompanying notes to financial statements.

**PALOMAR HEALTH DEVELOPMENT, INC.**

**Statement of Activities**

Year Ended June 30, 2022

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	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenue and Support:</b>			
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
 <b>Expenses:</b>			
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>



**PALOMAR HEALTH DEVELOPMENT, INC.**  
**Statement of Functional Expenses**  
Year Ended June 30, 2023

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Total</u>
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>

**PALOMAR HEALTH DEVELOPMENT, INC.**

**Statement of Functional Expenses**

Year Ended June 30, 2022

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	<u>Program Services</u>	<u>General and Administrative</u>	<u>Total</u>
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>

**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	387,819	290,939
Cash Flows Used by Financing Activities:		
Net activity on line of credit - Palomar Health	(120,000)	(120,001)
Net Increase in Cash	267,819	170,938
Cash, beginning	1,999,815	1,828,877
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

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#### **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

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#### **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 December 7, 2023, 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 40% and 41% 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 Sherriff'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

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#### 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>\$ 2,852,814</u>	<u>\$ 2,784,303</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>\$ 184,958</u>	<u>\$ 246,594</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

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#### **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.