

# Meeting Minutes

ATTENDANCE ROSTER		
MEMBERS	MEETING DATES	
	9/5/23	11/27/23
Linda C. Greer, RN, Chairperson	V*	P
Laurie Edwards-Tate, MS, Vice-Chairperson	P	V
<b>Staff Attendee</b>		
Tanya Howell, Secretary	P	P
<b>Guest Presenters<sup>1</sup></b>		

P = Present E = Excused V = Virtual

<sup>1</sup> See text of minutes for names of invited guests/presenters

**HEALTH DEVELOPMENT AUDIT COMMITTEE – SPECIAL MEETING MINUTES – MONDAY, NOVEMBER 27, 2023**

**AGENDA ITEM**

**DISCUSSION**

**CONCLUSIONS/ACTIONS**

**FOLLOW-UP/  
RESP PARTY**

**I. CALL TO ORDER**

- The **Notice of Meeting** and **Full Agenda Packet** were posted at PH’s Administrative Offices and on the Palomar Health Development, Inc. (PHD) home page on the PH website on Wednesday, November 22, 2023, which is consistent with legal requirements. Notice of that posting was also made that date via email to the Board and staff members.
- Quorum comprised of Directors Greer and Edwards-Tate
  - o Director Edwards-Tate attended virtually, acknowledged and approved by Chairperson Greer
- Chairperson Greer called the meeting to order at 9:11 a.m.

**II. PUBLIC COMMENTS**

- There were no public comments

**III. INFORMATION ITEMS**

- None

**IV. OLD BUSINESS**

- None

**V. MINUTES**

**A. Minutes, Tuesday, September 5, 2023**

**MOTION:** By Chairperson Greer, seconded by Director Edwards-Tate, and carried to approve the minutes from the Wednesday, September 5, 2023, meeting  
 Vote taken by roll call vote: Chairperson Greer – aye; Director Edwards-Tate – aye

- No discussion

**VI. NEW BUSINESS**

**A. Audited Financial Statements – FYE June 30, 2023**

**MOTION:** By Chairperson Greer, seconded by Director Edwards-Tate and carried to recommend approval of the Audited Financial Statements – FYE June 30, 2023  
 Vote taken by roll call vote: Chairperson Greer – aye; Director Edwards-Tate – aye

- Mrs. Howell will forward the recommendation to the PHD Board at the December 19<sup>th</sup> meeting

- Hugh King, CFO, introduced Andy Maffia of Aldrich CPA’s + Advisors, who was at the meeting to present the auditor’s findings, as well as to present information regarding other professional responsibilities related to the audit

**HEALTH DEVELOPMENT AUDIT COMMITTEE – SPECIAL MEETING MINUTES – MONDAY, NOVEMBER 27, 2023**

**AGENDA ITEM**

**• DISCUSSION**

**CONCLUSIONS/ACTIONS**

**FOLLOW-UP/  
RESP PARTY**

- Mr. Maffia stated that he would be going over the audit report and some required professional communication related to the audit process, noting that the overall results had been really good
- As he was putting the draft audit report onscreen, Mr. Maffia commented that it was the same information that he would be presenting at the Board meeting, and the date of that meeting was confirmed to be December 19<sup>th</sup> at 12:30 p.m.
- EXECUTIVE SUMMARY (PAGE 7)
  - o The summary was where the auditors highlighted what they felt were key takeaway points for the audit process, and it was just the same type of information he wanted to know when auditors were presenting to the not-for-profit organizations on whose boards he sat
  - o The engagement letter outlined what the auditors' responsibilities were, and what PHD's responsibilities were as the organization being audited
    - Essentially, the firm had been hired to provide an opinion on the financial statements, and that opinion was critical as granting organizations, funder and potential donors would like to know that the financials had been reviewed by an independent party for accuracy, which aided them in their decisions related to the entity
  - o He was happy to report that the audit team had performed enough analysis and would be rendering an opinion on the financial statements called an unmodified opinion, which was the best opinion that could be obtained, providing the highest level of assurance that could be provided; and in all Aldrich's years as the auditor for PHD, that was the same opinion that had been rendered
    - Mr. Maffia stated that the audit had been designed with that outcome in mind, as the auditors wanted to perform enough procedures and get through all of the testing work in order to be able to have that be the outcome
  - o Mr. Maffia stated that the auditors also looked at internal controls, which were the checks and balances within the financial function that helped prevent and detect errors from happening or fraud from happening
    - The did not provide an opinion on internal controls, but needed to gain an understanding of them, because that allowed them to design the audit to be as efficient and effective as possible
    - The auditors also tested internal controls as needed/if appropriate; and, if they were to find that there were areas that could be strengthened, they were required to report that information to the Audit Committee
      - 1) None had been found, which was another positive outcome for the audit
  - o The approach taken was a risk-based audit approach, which meant that the auditors focused on areas that they felt were the most significant to the operations of the organization, and also most impactful from the perspective of a reader of the financial statements
    - The auditors did not look at or test every single transaction, instead when provided with a list of incoming revenues, they wouldn't look at every single deposit, but would hone in on those that appeared significant
    - The audit had been designed to ensure that the auditors had been able to perform all the requested procedures on the great information that the management team had provided

**HEALTH DEVELOPMENT AUDIT COMMITTEE – SPECIAL MEETING MINUTES – MONDAY, NOVEMBER 27, 2023**

**AGENDA ITEM**

**• DISCUSSION**

**CONCLUSIONS/ACTIONS**

**FOLLOW-UP/  
RESP PARTY**

- o The audit team had received full cooperation from management throughout the audit, with Aimee Ebner as their primary contact
  - In preparation for the audit, the auditor had provided a list of items to the management team, who then pulled that information and provided it to the auditors for testing
    - 1) There were often a number of questions asked, and it was critical that management be prepared and provide updated information as necessary
  - Mr. Maffia thanked Ms. Ebner for her efforts, noting that he got to present the results, but it was management’s hard work and assistance to the auditing team that had made it a seamless process
  - Mr. King added that Ms. Ebner carried about 99.9% of all the work related to management’s responses to the audit team, he thanked her, as well, and Ms. Ebner responded to both that they were welcome
- In response to an inquiry from Chairperson Greer regarding how long Aldrich had been auditing the books for PHD, Mr. Maffia indicated that it had been for 6 or 7 years; however, the firm had changed audit partners during that period of time
  - o Changing the audit partner was one of the methods of keeping the team from getting stale in their approach, as well as somewhat unpredictable
    - Another was utilizing different team members in order to obtain a fresh point of view
  - o Chairperson Greer thanked him, noting that it was a sign of good governance to maintain a rotation for a fresh look, and it helped her to maintain a level of comfort with the audit process as a member of the Board
- LETTER REGARDING INTERNAL CONTROLS (PAGE 8)
  - o Mr. Maffia stated that the letter spoke to what the audit team was allowed to say from a professional standards perspective, which was that they didn’t identify any material weaknesses in the internal controls
  - o The letter would be dated and signed, with the “draft” watermark removed, after approval of the audit by the PHD Board
  - o The letter could also be included with the financial statements should any of the granting organizations, funders or potential donors request it
- STANDARD BOARD COMMUNICATION LETTER (PAGE 9)
  - o The letter was required to be submitted with all financial statements, and, if there had been any difficulties or disagreements with management, that information would be included, but there were none in this audit
  - o The letter would also identify any sensitive estimates, and Mr. Maffia noted that any set of financial statements would have estimates, but sometimes they weren’t as solidified as, say the cash balance as of June 30<sup>th</sup>
    - If a piece of equipment had been purchased, the purchasing agency would be required to estimate how long it would last, and Mr. Maffia noted that there was a lot of guidance regarding how the estimate should be made, but it would still be an estimate
    - Other estimates could be:
      - 1) The amount to be received from accounts receivable, as an assessment had to be made regarding whether those funds were fully collectible
      - 2) How expenses would be allocated

**HEALTH DEVELOPMENT AUDIT COMMITTEE – SPECIAL MEETING MINUTES – MONDAY, NOVEMBER 27, 2023**

**AGENDA ITEM**

**• DISCUSSION**

**CONCLUSIONS/ACTIONS**

**FOLLOW-UP/  
RESP PARTY**

- The auditor had to ensure that everyone knew there were estimates, and they did go through them to test how they had been performed, as well as whether the amounts in those estimates had actually been paid
- o As with previous audits, there had been no difficulties with the management team, so the letter was basically boilerplate, containing the information the auditor had been required to include
- Mr. Maffia then moved forward to the Audited Financial Statements
- INDEPENDENT AUDITOR’S REPORT (PAGES 13-14)
  - o The opinion referenced earlier in the meeting was expressed at the beginning of the report, confirming that the financial statements presented fairly in all material respects to the financial position of PHD, which was what an unmodified opinion looked like
    - He noted that – even though the audit had been focused on FY2023, the firm was also the auditors for FY2022, so the financial statements included 2 years of data as most granting organizations requested two data points
  - o The Emphasis-of-Matter Regarding Economic Dependency included additional language related to the relationship with Palomar Health
  - o The rest of the letter contained very standard language, and the report would be dated and signed, with the “draft” watermark removed, after approval of the audit by the PHD Board
- STATEMENTS OF FINANCIAL POSITION (PAGE 15)
  - o This document could be thought of as the balance sheet, which included assets, liabilities and net assets
  - o Total Assets were just over \$2.8M, up from a little under that amount in 2022
    - From a trending perspective, overall assets had increased, with most of that increase in cash, which was at just over \$2.2M vs. \$1.9M in 2022
    - Prior to 2022, that amount had been negative, so this showed a continued trend of solid operations within PHD, going from a negative equity position to a more robust and positive equity position, as well as being reflective of governance and management of the organization as having been good stewards of the funds of the organization
- STATEMENTS OF ACTIVITIES – FYE JUNE 30, 2023 & FYE JUNE 30, 2022 (PAGES 16-17)
  - o This document could be thought of as the income statement, with the top portion containing revenues, and the bottom portion containing expenses
    - The additional columns of “Without Donor Restrictions” and “With Donor Restrictions” were required for nonprofit organizations, as that additional information helped the reader to understand that, although there might be a large cash balance, a portion of those funds might have been earmarked by the grantor for a specific purpose
  - o Changes in Net Assets for FYE2023 were a positive \$177K, and at FYE2022 it had a very similar amount of \$188K
    - As a not-for-profit organization, PHD was not designed to generate a profit, but to be mission driven related to the cause; however, as a business, it still needed to be operated as a going entity, so having a positive net income was good and had helped go to a positive equity position



**HEALTH DEVELOPMENT AUDIT COMMITTEE – SPECIAL MEETING MINUTES – MONDAY, NOVEMBER 27, 2023**

**AGENDA ITEM**

• DISCUSSION	CONCLUSIONS/ACTIONS	FOLLOW-UP/ RESP PARTY
<ul style="list-style-type: none"> <li>– The beginning Net Assets on the FYE2022 statement provided a little glimpse back to 2021, which had ended with a deficit of \$256K; showing that in a fairly short period of time Net Assets at the end of FYE2022 had increased to \$2.3K, and had increased to \$241K by FYE2023</li> <li>• STATEMENT OF FUNCTIONAL EXPENSES FYE JUNE 30, 2023 &amp; FYE JUNE 30, 2022 (PAGES 18-19)               <ul style="list-style-type: none"> <li>o This statement was unique to not-for-profit organizations, and – as would be expected for virtually all not-for-profit organizations – salaries, wages and employee benefits dominated as the largest expense</li> <li>o One of the things intended by this statement was to fully explain changes in cash balance (e.g., an entity’s cash might go up one year because money had been borrowed and placed into the bank account)</li> <li>o The statement showed that this year the cash balance had increased because of operations, which was a good thing</li> </ul> </li> <li>• STATEMENTS OF CASH FLOWS (PAGE 20)               <ul style="list-style-type: none"> <li>o This statement was a review of how cash went up and down and what caused that to occur</li> <li>o Cash increased by \$267K, this year, primarily generated through operations</li> <li>o In response to an inquiry by Chairperson Greer related to whether COVID – which was in 2020-2021 – might have had a negative impact (especially with the First Steps programs having to move from in-person to virtual and the time/ramp-up for that), Mr. Maffia stated that it certainly hadn’t helped                   <ul style="list-style-type: none"> <li>– Prior to 2021 the organization had already been in a negative position – although trending toward positive – and the ability to have gotten through that was a good story for the organization</li> </ul> </li> </ul> </li> <li>• Mr. Maffia stated that the remainder of the documentation were notes that supported the matters discussed               <ul style="list-style-type: none"> <li>o Note 1 was regarding the organization and all the matters that were all required in order to comply with Generally Acceptable Accounting Principles (GAAP), which meant that a reader could take these financial statements and compare with another not-for-profit whose financial statements had also been prepared according to GAAP and understand that the accounting behind both sets of numbers had been applied in a similar fashion</li> <li>o These pages were very similar to those presented in the past, merely updated for current numbers and current information</li> </ul> </li> <li>• Chairperson Greer made note that she was proud to see reference made to the Child Sexual Abuse Program and Sexual Assault Response Team on Page 23, as those programs had almost been closed, and she was impressed with the fact that administration had kept them alive through partnerships</li> <li>• Director Edwards-Tate agreed with Chairperson Greer, noting that it was very heartening how import those types of programs were, sometimes they did struggle, and seeing them continue was something about which everyone could all feel good</li> <li>• Mr. Maffia ended by stating that Aldrich and the management team had gone through the numbers and felt that, overall, it did reflect positively on the operations of the organization</li> <li>• Chairperson Greer expressed her thanks to Mr. King and his team, as well as to Ms. Ebner, for having done an amazing job that made her feel comfortable with the firm and the changes they’d made</li> </ul>		

HEALTH DEVELOPMENT AUDIT COMMITTEE – SPECIAL MEETING MINUTES – MONDAY, NOVEMBER 27, 2023

AGENDA ITEM

• DISCUSSION

CONCLUSIONS/ACTIONS

FOLLOW-UP/  
RESP PARTY

VII. PRESENTATIONS

NONE

VIII. AUDIT COMMITTEE COMMENTS/FUTURE AGENDA ITEMS

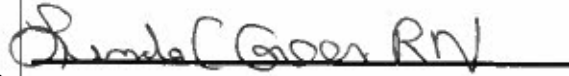
- All comments by the members of the Committee were made during the presentation

IX. ADJOURNMENT

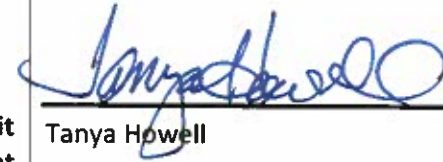
- The meeting was adjourned by Chair Greer at 9:47 a.m.

SIGNATURES:

PHD Board Audit  
Committee Chair



PHD Board Audit  
Committee Assistant



Tanya Howell

Next Meeting: TBD based on scheduled date of completion of FYE June 30, 2024, audit