

DESERT HEALTHCARE FOUNDATION

PALM SPRINGS, CALIFORNIA

INDEPENDENT AUDITORS' REPORT AND
FINANCIAL STATEMENTS

JUNE 30, 2021

WITH COMPARATIVE TOTALS FOR JUNE 30, 2020

DESERT HEALTHCARE FOUNDATION

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1 - 2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 13



LUND & GUTTRY LLP / CERTIFIED PUBLIC ACCOUNTANTS
36917 COOK STREET • SUITE 102 • PALM DESERT, CALIFORNIA 92211
Telephone (760) 568-2242 • Fax (760) 346-8891
www.lundandguttery.com

INDEPENDENT AUDITORS' REPORT

To the Honorable Board of Directors
of the Desert Healthcare Foundation
Palm Springs, California

We have audited the accompanying financial statements of Desert Healthcare Foundation (Foundation), a not-for-profit organization and a component unit of the Desert Healthcare District, which comprise the statement of financial position, as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

Opinion

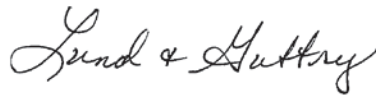
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Desert Healthcare Foundation as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2021, on our consideration of the Foundation'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 on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the Organization's June 30, 2020 financial statements and we expressed an unmodified opinion on those audited financial statements in our report dated October 13, 2020. In our opinion the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it was derived.



October 14, 2021

DESERT HEALTHCARE FOUNDATION

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2021

WITH COMPARATIVE TOTALS FOR JUNE 30, 2020

	<u>Totals</u>	
	<u>2021</u>	<u>2020 (Memorandum Only)</u>
<u>ASSETS</u>		
ASSETS		
Cash and cash equivalents	\$ 1,348,623	\$ 1,145,289
Grants receivable	1,122,500	-
Prepaid expenses	2,500	3,000
Accrued interest and dividend receivable	17,221	18,931
Total current assets	<u>2,490,844</u>	<u>1,167,220</u>
OTHER ASSETS		
Contributions receivable - charitable remainder trusts	200,809	187,298
Investments	<u>5,617,879</u>	<u>5,020,682</u>
Total other assets	<u>5,818,688</u>	<u>5,207,980</u>
TOTAL ASSETS	<u>\$ 8,309,532</u>	<u>\$ 6,375,200</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Current liabilities		
Accounts payable and accrued payroll	\$ 144,954	\$ 100,467
Grants payable - current	4,679,865	2,694,224
Deferred revenue	50,000	-
Total current liabilities	<u>4,874,819</u>	<u>2,794,691</u>
Long-term liabilities		
Grants payable - long-term	<u>1,600,000</u>	<u>1,600,000</u>
Total long-term liabilities	<u>1,600,000</u>	<u>1,600,000</u>
TOTAL LIABILITIES	<u>6,474,819</u>	<u>4,394,691</u>
NET ASSETS		
Without donor restrictions	1,633,904	1,776,489
With donor restrictions	<u>200,809</u>	<u>204,020</u>
Total net assets	<u>1,834,713</u>	<u>1,980,509</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,309,532</u>	<u>\$ 6,375,200</u>

(The accompanying notes are an integral part of these financial statements)

DESERT HEALTHCARE FOUNDATION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2021	2020 (Memorandum Only)
REVENUES AND GAINS				
Contributions	\$ 139,655	\$ -	\$ 139,655	\$ 73,222
Grants and bequests	3,781,363	-	3,781,363	264,668
Interest and dividends	185,407	-	185,407	184,904
Investment gains	477,291	-	477,291	41,026
Change in value - charitable trust	-	13,511	13,511	(1,940)
Net assets released from restrictions	16,722	(16,722)	-	-
Total revenues and gains	<u>4,600,438</u>	<u>(3,211)</u>	<u>4,597,227</u>	<u>561,880</u>
EXPENSES				
Grants and social services	3,908,624	-	3,908,624	508,667
Management and general	834,399	-	834,399	367,556
Total expenses	<u>4,743,023</u>	<u>-</u>	<u>4,743,023</u>	<u>876,223</u>
DECREASE IN NET ASSETS	<u>(142,585)</u>	<u>(3,211)</u>	<u>(145,796)</u>	<u>(314,343)</u>
NET ASSETS, BEGINNING OF YEAR	<u>1,776,489</u>	<u>204,020</u>	<u>1,980,509</u>	<u>2,294,852</u>
NET ASSETS, END OF YEAR	<u>\$ 1,633,904</u>	<u>\$ 200,809</u>	<u>\$ 1,834,713</u>	<u>\$ 1,980,509</u>

(The accompanying notes are an integral part of these financial statements)

DESERT HEALTHCARE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020

	<u>Grants and Services</u>	<u>Management and General</u>	<u>Totals</u>	
			<u>2021</u>	<u>2020 (Memorandum Only)</u>
Grants and social services	\$ 3,908,624	\$ -	\$ 3,908,624	\$ 508,667
Management and general expenses	<u>-</u>	<u>834,399</u>	<u>834,399</u>	<u>367,556</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 3,908,624</u>	<u>\$ 834,399</u>	<u>\$ 4,743,023</u>	<u>\$ 876,223</u>

(The accompanying notes are an integral part of these financial statements)

DESERT HEALTHCARE FOUNDATION

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

WITH COMPARATIVE TOTALS AT JUNE 30, 2020

	<u>2021</u>	<u>2020</u> (Memorandum Only)
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	\$ (145,796)	\$ (314,343)
Adjustments to reconcile decrease in net assets to net cash provided (used) by operating activities:		
Unrealized gains on investments	(477,291)	(41,026)
(Increase) decrease in operating assets:		
Grants receivable	(1,122,500)	1,000,000
Prepaid expenses	500	500
Contributions receivable	(13,511)	1,941
Accrued interest and dividends receivable	1,710	(1,199)
Increase (decrease) in operating liabilities		
Accounts payable and accrued payroll	44,487	29,512
Grants payable	1,985,641	(1,350,226)
Deferred revenue	<u>50,000</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>323,240</u>	<u>(674,841)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investment activity	<u>(119,906)</u>	<u>874,135</u>
Net cash provided (used) by investing activities	<u>(119,906)</u>	<u>874,135</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	203,334	199,294
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,145,289</u>	<u>945,995</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,348,623</u>	<u>\$ 1,145,289</u>

(The accompanying notes are an integral part of these financial statements)

DESERT HEALTHCARE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Desert Healthcare Foundation (Foundation), a not-for-profit organization, is a health and welfare organization created to identify the health care needs of the Desert Healthcare District (District) and to work toward treating those needs through various programs and services. The Foundation is a component unit of the District due to the nature and significance of their relationship with the District. The Foundation operates primarily in the Coachella Valley area of Southern California and, as such, is subject to market conditions, which could affect charitable giving and the realization of recorded asset values at various times.

Basis of Accounting

The Foundation uses the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this method, revenues are recognized when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Financial Statement Presentation

The accompanying financial statements of the Foundation have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified as follows:

Net Assets without Donor Restrictions: Net assets that is not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. The Foundation's board may designate assets without restrictions for specific operational purposes from time to time.

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 non-profit 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 Foundation has net assets with donor restrictions of \$200,809 at June 30, 2021. (See note 6)

Donated Facilities and Services

The District has provided to the Foundation the use of its office facilities at no charge. For the fiscal year ended June 30, 2021 the District allocated to the Foundation \$768,901 related to personnel charges. The value of the on-site facilities is not reflected in these statements, as they do not meet the criteria for recognition. (See note 7)

DESERT HEALTHCARE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Contributions

Unconditional contributions are recognized when pledged and recorded as net position without donor restrictions or net position with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net position with donor restrictions are reclassified to net position without donor restrictions and reported in the statement of activities as net position released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net position without donor restriction support.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Use of Estimates

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

Investments

Investments are stated at fair market value. Realized and unrealized gains and losses on investments are recognized as changes in net assets in the periods in which they occur.

Income Taxes

The Foundation is a not-for-profit organization that is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3), and from California franchise taxes under related state tax regulations and classified by the Internal Revenue Service as other than a private foundation. The Foundation may be subject to tax on income from any unrelated business operations. The Foundation does not currently have any unrelated business operations. The federal and State income tax returns are subject to examination over three and four years, respectively.

Memorandum Totals

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 the Foundation's financial statements for the prior year, from which the summarized information was derived.

DESERT HEALTHCARE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

2. FAIR VALUE MEASUREMENTS

The Foundation applies Generally Accepted Accounting Principles (GAAP) for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis.

GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

At June 30, 2021, all investments are measured at fair value on a recurring basis and were valued at Level 1 inputs (quoted prices in active markets for identical assets). Fair value for investments at June 30, 2021 was \$5,617,879. (See Note 3)

3. CASH AND INVESTMENTS

Demand Deposits

The carrying amounts at June 30, 2021, of the Foundation's cash deposits were \$1,183,017, and money market funds were \$165,606 totaling \$1,348,623. Bank balances were \$1,405,663 at June 30, 2021. Occasionally, the Foundation's cash balance in banks exceeds the Federal Deposit Insurance Corporation's insurance limits but management does not expect any significant credit risk relating to cash.

DESERT HEALTHCARE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

3. CASH AND INVESTMENTS – (Continued)

Investments

At June 30, 2021 and 2020, investments consisted of the following:

	2021			2020		
	Cost	Fair Value	Unrealized Gain	Cost	Fair Value	Unrealized Gain
Corporate bonds	\$1,643,690	\$1,715,982	\$ 72,292	\$1,481,003	\$1,581,765	\$ 100,762
US Government agencies	1,104,883	1,135,924	31,041	1,174,835	1,290,684	115,849
Mutual funds	266,476	269,243	2,767	261,168	269,060	7,892
Marketable securities	1,694,882	2,496,730	801,848	1,657,861	1,879,173	221,312
Total investments	<u>\$4,709,931</u>	<u>\$5,617,879</u>	<u>\$ 907,948</u>	<u>\$4,574,867</u>	<u>\$5,020,682</u>	<u>\$ 445,815</u>

4. CHARITABLE REMAINDER TRUSTS

The Foundation was named beneficiary to two charitable remainder unitrusts (whose trustees are someone other than the Foundation), all of which are recorded at fair value. The balances at June 30, 2021 amounted to \$200,809 and general terms of the trusts are as follows:

Trust 4 (dated October 3, 1989): The lesser of the trust income or 8% of the net fair market value of trust assets is to be distributed to the life beneficiary annually. Upon the death of the life beneficiary, 50% of the principal and income not required to have been distributed to the life beneficiary shall become the property of the Foundation, to be used for cancer treatment, or for general purposes if a cure for cancer has been found. At December 31, 2018, which is the most current information available, the estimated present value of future cash flows was \$126,022.

Trust 7 (dated May 17, 1990): 8.5% of the net fair market value of trust assets is to be distributed to the life beneficiary annually. Upon the death of the life beneficiary, all of the principal and income not required to have been distributed to the life beneficiary shall become the property of the Foundation, to be used for general purposes. The estimated present value of future cash flows at June 30, 2021 was \$74,787.

DESERT HEALTHCARE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

5. GRANTS PAYABLE

Grants payable consisted of the following for the fiscal years ended June 30:

<u>Grants</u>	<u>2021</u>	<u>2020</u>
Behavioral Health Initiative Collective Fund	\$ 1,752,356	\$ 1,952,000
Avery Trust – Pulmonary	795,017	919,801
West Valley Homelessness Initiative	595,714	711,383
East Valley Grant Funding	-	419,156
Grant for Swim Lessons	-	174,279
Grant for Health Portal	72,176	110,105
Galilee Center – Emergency	-	7,500
Improving Healthcare Access in Black Communities	525,000	-
One Futures – Black and African American Scholarship	155,000	-
Grants approved 2021/2022 year	1,044,156	-
	<u>4,939,413</u>	<u>4,294,224</u>
 <u>COVID-19 Related Grants</u>		
Lideres Campesinas	200,000	-
El Sol Neighborhood Education Center	170,000	-
Todec Legal Center	170,000	-
Alianza Coachella Valley	131,250	-
Vision Y Compromiso	130,000	-
Pueblo Unido CDC	125,000	-
Youth Leadership Institute	91,250	-
Galilee Center	85,000	-
Desert Healthcare Foundation Administrative Costs	237,946	-
	<u>1,340,446</u>	<u>-</u>
 Total grants payable	 <u>\$ 6,279,865</u>	 <u>\$ 4,294,224</u>
 Grants payable - current	 <u>\$ 4,679,865</u>	 <u>\$ 2,694,224</u>
Grants payable – longterm	<u>1,600,000</u>	<u>1,600,000</u>
	<u>\$ 6,279,865</u>	<u>\$ 4,294,224</u>

During the year ended June 30, 2021, the Foundation entered into subrecipient agreement with the County of Riverside for a total of \$2,400,000 for the time period of July 1, 2020 through March 31, 2022. The Foundation will operate as a Fiscal Intermediary for the County of Riverside to distribute funds to Community Based Organization (CBOs) and Faith-Based Organization (FBOs) in the Coachella Valley. The funding intends to support the work of CBOs and FBOs in the prevention, identification, and mitigation of COVID-19, and to assist with coordinating collaborative efforts to address COVID-19 related needs in communities that have been disproportionately impacted by disease.

DESERT HEALTHCARE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

5. GRANTS PAYABLE – (Continued)

The funding being passed through the County of Riverside is federally funded by two sources “Coronavirus Aid, Relief, and Economic Security (CARES) Act and Center for Disease Control and Prevention Epidemiology and Laboratory Capacity (ELC) Enhancing Detection”. The Foundation has provided \$1,050,000 in funding to CBOs in the Coachella Valley and \$910,000 remains to be provided to the CBOs. As part of the subrecipient agreement, the Foundation will receive a total of \$440,000 to cover administrative costs which represents 18% of the funds provided to the CBOs.

6. NET ASSETS – WITH DONOR RESTRICTIONS

Donor restricted net assets consists of the following purposes as of June 30:

	<u>2021</u>	<u>2020</u>
<u>Subject to expenditure for specified purpose:</u>		
Summer Homeless Survival Fund	\$ -	\$ 16,722
Charitable Remainder Trust	<u>126,022</u>	<u>126,022</u>
	<u>126,022</u>	<u>142,744</u>
<u>Subject to the passage of time:</u>		
Charitable Remainder Trust	<u>74,787</u>	<u>61,276</u>
Net Assets – with donor restrictions	<u>\$ 200,809</u>	<u>\$ 204,020</u>

7. RELATED PARTY TRANSACTIONS

The Foundation and the Desert Healthcare District are related parties. The Foundation is organized to provide health and welfare assistance to Coachella Valley residents in need. The District donated funds of \$0 and \$200,000 to the Foundation during the years ended June 30, 2021 and 2020, respectively, to help fulfill their purpose. The District also provided the Foundation with office space and personnel of \$768,901 and \$305,676 for years ended June 30, 2021 and 2020, respectively.

8. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30 are as follows:

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash	\$ 1,348,623	\$ 1,145,289
Investments	5,617,879	5,020,682
Grants receivable	1,122,500	-
Accrued interest and dividend receivable	17,221	18,931
Contributions receivable – CRT	<u>200,809</u>	<u>187,298</u>
Total financial assets	8,307,032	6,372,200
Less financial assets held to meet donor-imposed restrictions:		
Purpose-restricted net assets (Note 5)	(6,279,865)	(4,294,224)
Interest in charitable remainder trust (Note 4)	(200,809)	(187,298)
Donor-restricted funds (Note 6)	-	(16,722)
Amount available for general expenditures within one year	<u>\$ 1,826,358</u>	<u>\$ 1,873,956</u>

DESERT HEALTHCARE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

8. LIQUIDITY AND AVAILABILITY – (Continued)

The above table reflects donor-restricted and board-designated funds as unavailable because it is the Foundation's intention to invest resources for the long-term support of the organization. However, in the case of need, the Board of Directors could appropriate resources from the purpose-restricted funds available for general use. As part of the Foundation's liquidity management plan, they invest cash in excess of daily requirements in short-term investments (Note 3).

9. UNCERTAINTIES

As a result of the COVID-19 coronavirus pandemic, economic uncertainties have arisen which could have an impact on the operations of the Foundation. The related financial impact and duration cannot be reasonably estimated at this time.

10. SUBSEQUENT EVENTS

The Foundation evaluated all potential subsequent events as of October 14, 2021 when the financial statements were authorized and available to be issued. No subsequent events or transactions were identified after June 30, 2021 or as of October 14, 2021 that require disclosure to the financial statements.