



DESERT HEALTHCARE DISTRICT
Special Finance, Legal, Administration, & Real Estate Committee
November 16, 2022

The Special Finance, Legal, Administration, & Real Estate Committee of the Desert Healthcare District will be held at 1:00 PM, Wednesday, November 16, 2022, via Zoom using the following link:

<https://us02web.zoom.us/j/88576814979?pwd=N3JEN2lsbkg0bnp4WUNyWUowVDhmQT09>

Password: 574440

Participants will need to download the Zoom app on their mobile devices. Members of the public may also be able to participate by telephone, using the following dial in information:

Dial in #:(669) 900-6833 or (888) 788-0099 to Listen and Address the Board when called upon:

Webinar ID: 885 7681 4979

Password: 574440

REVISED AGENDA

I. CALL TO ORDER

II. APPROVAL OF AGENDA

III. PUBLIC COMMENT

At this time, comments from the audience may be made on items not listed on the agenda that are of public interest and within the subject-matter jurisdiction of the District. The Committee has a policy of limiting speakers to not more than three minutes. The Committee cannot take action on items not listed on the agenda. Public input may be offered on an agenda item when it comes up for discussion and/or action.

IV. APPROVAL OF MINUTES

1. F&A Meeting Minutes – October 11, 2022 – Pg. 3-10

ACTION

V. CEO REPORT

Information

VI. CHIEF ADMINISTRATION OFFICER'S REPORT – Pg. 11

Information

1. LPMP Leasing Update – Pg. 12

VII. FINANCIAL REPORTS

ACTION

1. District and LPMP Financial Statements – Pg. 13-23
2. Accounts Receivable Aging Summary – Pg. 24
3. District - Deposits – Pg. 25
4. District - Property tax receipts – Pg. 26
5. LPMP – Deposits – Pg. 27-28
6. District – Check Register – Pg. 29-30
7. Credit Card – Detail of Expenditures – Pg. 31
8. LPMP – Check Register – Pg. 32
9. Retirement Protection Plan Update – Pg. 33
10. Grant Payment Schedule – Pg. 34

VIII. OTHER MATTERS

1. Shannon Maidment & Andrea Oliveri – Coachella Valley Accounting & Auditing – FY 2022 Audit Reports – District & RPP
 - a. Communication Letter & Internal Controls Report – Pg. 35-43
 - b. District Audit Report – Pg. 44-86

ACTION



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- c. RPP Audit Report – Pg. 87-106
- d. Desert Healthcare Foundation & A-133 Single Audit (Informational Purposes Only, Approval during the Foundation’s F&A Committee meeting) – Pg. 107-135
- 2. Consulting Services Agreement for Park Imperial Land Lease Appraisal – Mr. Larry Simons – NTE \$6,500 – Pg. 136-145 **ACTION**
- 3. Addendum #1 to Consulting Services Agreement for Hospital Inspections – Dale Barnhart – Time Extension from December 31, 2022 – December 31, 2024 – Pg. 145-151 **ACTION**
- 4. Consulting Services Agreement for Coachella Valley Health Assessment – Huron Consulting Group – NTE 95,000 – Pg. 152-177 **ACTION**
- 5. Consulting Services Engagement Letter – Steve Hollis – \$750/hr. Pg.178-179 **ACTION**
- 6. Capital Projects at Desert Regional Medical Center – Pg. 180-182 Information

The undersigned certifies that a copy of this agenda was posted in the front entrance to the Desert Healthcare District offices located at 1140 North Indian Canyon Drive, Palm Springs, California, and the front entrance of the Desert Healthcare District office located at the Regional Access Project Foundation, 41550 Eclectic Street, Suite G 100, Palm Desert, California at least 72 hours prior to the meeting.

If you have any disability which would require accommodation to enable you to participate in this meeting, please email Andrea S. Hayles, Special Assistant to the CEO and Board Relations Officer, at ahayles@dhcd.org or call (760) 567-0298 at least 24 hours prior to the meeting.

Andrea S. Hayles

Andrea S. Hayles, Board Relations Officer



DESERT HEALTHCARE DISTRICT
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Directors Present	District Staff Present	Absent
Chair/Treasurer Arthur Shorr President Karen Borja Director Les Zendle, MD	Conrado E. Bázquez, MD, Chief Executive Officer Chris Christensen, Chief Administration Officer Eric Taylor, Accounting Manager Donna Craig, Chief Program Officer Alejandro Espinoza, Chief of Community Engagement Andrea S. Hayles, Board Relations Officer	

AGENDA ITEMS	DISCUSSION	ACTION
I. Call to Order	President Borja called the meeting to order at 3:34 p.m., with Director Shorr joining the meeting after the approval of the agenda.	
II. Approval of Agenda	President Borja asked for a motion to approve the agenda and move item 8.1. – FY 2022 Audit Reports before item 6 – Chief Administration Officer’s Report.	Moved and seconded by Director Zendle and President Borja to approve the agenda and moving items 8.1 before item 6. Motion passed unanimously.
III. Public Comment	There was no public comment.	
IV. Approval of Minutes 1. F&A Minutes – Meeting September 13, 2022	President Borja motioned to approve the September 13, 2022, meeting minutes.	Moved and seconded by Director Zendle and Director Shorr to approve the September 13, 2022, meeting minutes. Motion passed unanimously.
V. CEO Report	There was no CEO Report.	
VI. Chief Administration Officer’s Report	Chris Christensen, CAO, explained that the Las Palmas Medical Plaza is 100% occupied, highlighting the lease renewal for Suite 1W-101 – Pathway Pharmaceuticals, Inc.	
VII. Financial Reports 1. District and LPMP Financial Statements		



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<p>2. Accounts Receivable Aging Summary</p> <p>3. District – Deposits</p> <p>4. District – Property Tax Receipts</p> <p>5. LPMP Deposits</p> <p>6. District – Check Register</p> <p>7. Credit Card – Detail of Expenditures</p> <p>8. LPMP – Check Register</p> <p>9. Retirement Protection Plan Update</p> <p>10. Grant Payment Schedule</p>	<p>Chris Christensen, CAO, reviewed the September financials with the committee.</p>	<p>Moved and seconded by Director Zendle and Director Shorr to approve the September 2022 financials – items 1-10 and to forward to the Board for approval. Motion passed unanimously.</p>
<p>VIII. Other Matters</p> <p>1. Shannon Maidment & Andrea Oliveri – Coachella Valley Accounting & Auditing – FY 2022 Audit Reports – District & RPP</p> <p>a. Communication Letter & Internal Controls Report</p> <p>b. District Audit Report</p> <p>c. RPP Audit Report</p> <p>d. Desert Healthcare Foundation & A-133 Single Audit (Informational Purposes Only, Approval during the Foundation’s F&A Committee meeting)</p>	<p>Chris Christensen, CAO, described the review of the FY 2022 audited financials and provided background on the audit firm Lund & Guttry, which performed the District’s audit for the previous two years. The operational audit functions separated from Lund & Guttry, and the auditing staff established an organization – Coachella Valley Auditing and Accounting. Mr. Christensen introduced the auditing team, Shannon Maidment, Andrea Oliveri, and Gary Dack.</p> <p>Mr. Dack reviewed the District audit reports commencing with the independent auditor’s report describing the unmodified opinion – the highest level of assurance in an audit. An overview of the statement of net position was provided with Mr. Dack reviewing the total assets, highlighting the accounts</p>	



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	<p>receivable net and the deferred rent payments at the Las Palmas Plaza due to COVID.</p> <p>Other highlights included the capital assets and net pension assets reflecting the plan assets less the actuarial value owed to the plan participants; the current liabilities increase emphasizing the grants payables and the accounts payable increase due to the fire sprinkler system construction; the statements of revenue, expenses and change in net position highlighting the revenue, expenses, and the retirement plan benefits; and nonoperating income investment, income loss footnotes, and notes to financial statements.</p> <p>Mr. Dack provided an overview of the Retirement Protection Plan audited financials, assets and liabilities, and the report on the internal control over financial reporting with no problems or disputes – a positive financial report.</p> <p>Shannon Maidment provided an overview of the Foundation single audit for federal awards highlighting the audit report of the schedule of expenditures of federal awards with a clean unmodified opinion. The Foundation also has a clean</p>	
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	<p>accounting of the independent auditor’s report in compliance for each major program and internal control over compliance.</p> <p>A review of the Schedule of Expenditures of Federal Awards (SEFA) identified an expense of \$237,946 related to FY21-22 versus FY20-21 (the period previously recorded) and is noted for reference should there be a comparison of the two years of expenditures. The total expenditures of \$1,481,551 is updated accordingly.</p> <p>The Schedule of Findings and Questioned Costs describes a significant deficiency related to the audit of the financial statements as provided in the above-referenced federal awards expenditures. Additionally, item #9, as no cause by the staff, is determined not to be a low-risk auditee since there was no single audit in the past two years – a required notation as considered not low risk, which involves more broadened testing.</p> <p>In reviewing the Schedule of Findings and Questioned Costs, Ms. Maidment described a 2020 accounting standard update with a change in the nonprofit revenue and expense reporting. Previously, a restricted grant was</p>	
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	<p>recorded as both a revenue and an expense, creating a grants payable prior to a distribution to an external organization. The revenue recognition is accurate. However, the expense and grants payable accrual is no longer accurate. The funds should be restricted when received from the District for distribution instead of a liability and expense in the same year. As a result, a restatement of the prior year's net assets of \$3.4M and adjustments totaling a net of \$1.5M – a timing issue of the recognition. The Schedule of Findings provides a corrective action plan - noting that the same audit personnel in FY20 and FY21 did not identify the deficiency, with staff making the proper correction of restricted grants and grants payable. The committee expressed its concern with the deficiencies and the accountability by the same auditing firm that conducted the FY20 and FY21 audits.</p> <p>Further, the committee inquired about a full-page disclosure of the auditing firms' discrepancies representing their oversight for presenting to the public. The deficiencies were not discussed with management before presenting the audited financials, and the best approach to discuss and</p>	
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	<p>present the findings fairly and objectively since the staff was misguided by the auditing firm. The auditing firm is open to revisions in the language of the disclosure.</p> <p>Andrea Oliveri provided an overview of the Foundation financial statements commencing with the independent auditor's report of a clean and unmodified opinion. As a result of the 2020 accounting standards update mentioned above, Net Assets was restated on the Statement of Activities and separated into with/without donor restrictions on the Statement of Financial Position. The statement of activities illustrates an increase of net assets by \$10k, and the revenue and expenses decreased due to the COVID funding. Ms. Oliveri highlighted footnotes #2 and #6 in the notes to financial statements.</p> <p>Director Zendle motioned to table the action by the F&A Committee – not forwarding the audit reports to the Board meeting until the disclosures are discussed with the auditing firm, including the possibility of a study session to ensure public transparency.</p>	
		<p>Moved and seconded by Director Zendle and Director Shorr to table approval of the FY 2022 Audit Reports – District & RPP and postpone forwarding to the Board for approval. Motion passed unanimously.</p>

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<p>2. Amendment #1 to the consulting services agreement – NPO Centric – no cost time extension 10/01/22 – 9/30/23</p>	<p>Chris Christensen, CAO, described the five-year strategic plan and goal #4 to proactively measure and evaluate the impact of funded programs and services on the health of the community residents, including adopting a performance management platform for Results-Based Accountability (RBA) and continuing the work of NPO Centric with a no-cost extension contract amendment.</p>	<p>Moved and seconded by Director Zendle and Director Shorr to approve Amendment #1 to the consulting services agreement – NPO Centric – no cost time extension 10/01/22 – 9/30/23 and forward to the Board for approval. Motion passed unanimously.</p>
<p>3. LPMP – Lease Renewal – Pathway Pharmaceuticals, Inc. – Suite 1W 101 – 5-year lease renewal</p>	<p>Chris Christensen, CAO, described the longstanding tenant – Pathway Pharmaceuticals, with a lease expiration on 12/31/22 requesting a 5-year lease renewal at \$1.68 sq. ft., tenant improvements of \$10 sq. ft., and an annual increase of 3% or the greater of the CPI.</p> <p>The committee discussed the consideration of raising the annual increase of rents from 3% in the near future, including predicting the healthcare needs and demands in the Coachella Valley over the next 10 to 20 years related to the hospital in correlation to the potential of purchasing a new office building.</p>	<p>Moved and seconded by Director Shorr and Director Zendle to approve the LPMP – Lease Renewal – Pathway Pharmaceuticals, Inc. – Suite 1W 101 – 5-year lease renewal and forward to the Board for approval. Motion passed unanimously.</p>
<p>IX. Adjournment</p>	<p>President Borja adjourned the meeting at 4:50 p.m.</p>	<p>Audio recording available on the website at http://dhcd.org/Agendas-and-Documents</p>



**DESERT HEALTHCARE DISTRICT
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ATTEST: _____

Karen Borja, President, Board of Directors
Finance & Administration Committee Member
Desert Healthcare District Board of Directors

Minutes respectfully submitted by Andrea S. Hayles, Board Relations Officer

DRAFT



Chief Administration Officer's Report

November 16, 2022

The Fiscal Year 2022 draft audit reports were presented by Coachella Valley Accounting & Auditing at the October 11, 2022 F&A Committee meeting. The audit reports will be considered for approval at today's committee meeting following updated/revised language for the significant deficiency in the Foundation's single audit report.

Las Palmas Medical Plaza - Property Management:

Occupancy:

See attached unit rental status report.

100% currently occupied –

Total annual rent including CAM fees is **\$1,429,849**.

Leasing Activity:

Renewals on existing leases will be brought to future meetings as they approach the end of the lease term.

Las Palmas Medical Plaza

Unit Rental Status

As of November 1, 2022

Unit	Tenant Name	Deposit	Lease Dates		Term	Unit Sq Feet	Percent of Total	Monthly Rent	Annual Rent	Rent Per Sq Foot	Monthly	Total Monthly Rent Inclg CAM	Total Annual Rent Inclg CAM
			From	To							CAM		
											\$ 0.69		
Total - Vacancies						0	0.00%						
Total Suites - 31 - 31 Suites Occupied		\$64,959.90				49,356	100.0%	\$ 85,239.20	\$1,022,870.40	\$ 1.73	\$ 33,914.88	\$ 119,154.08	\$ 1,429,848.96
Summary - All Units													
		Occupied	49,356	100.0%									
		Vacant	0	0.0%									
		Pending	0	0.0%									
		Total	49,356	100%									

DESERT HEALTHCARE DISTRICT
OCTOBER 2022 FINANCIAL STATEMENTS
INDEX
Year to Date Variance Analysis
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Retirement Protection Plan Update
Grants Schedule

**DESERT HEALTHCARE DISTRICT
YEAR TO DATE VARIANCE ANALYSIS
ACTUAL VS BUDGET
FOUR MONTHS ENDED OCTOBER 31, 2022**

Scope: \$25,000 Variance per Statement of Operations Summary				
	YTD		Over(Under)	
Account	Actual	Budget	Budget	Explanation
4000 - Income	\$ (819,259)	\$ (16,708)	\$ (802,551)	Lower interest income and market fluctuations (net) from FRF investments \$621k; lower property tax revenues \$181k
5000 - Direct Expenses	\$ 432,139	\$ 607,680	\$ (175,541)	Lower wage related expenses \$87k due to open positions; lower board expenses \$50k; lower education expense \$22k; lower health insurance expense \$19k; higher retirement expense \$2k
7000 - Grants Expense	\$ 20,000	\$ 1,333,332	\$ (1,313,332)	Budget of \$4 Million for fiscal year is amortized straight-line over 12-month fiscal year. As of October 31, 2022, there is \$3,980,000 remaining in the fiscal year grant budget as well as \$727,298 in carryover funds.
Las Palmas Medical Plaza - Net	\$ 115,463	\$ 75,292	\$ 40,171	LPMP revenue higher \$21k; LPMP expenses lower \$19k

Desert Healthcare District
Profit & Loss Budget vs. Actual
July through October 2022

	MONTH			TOTAL		
	Oct 22	Budget	\$ Over Budget	Jul - Oct 22	Budget	\$ Over Budget
Income						
4000 · Income	(56,673)	152,291	(208,964)	(819,259)	(16,708)	(802,551)
4500 · LPMP Income	118,975	112,999	5,976	472,800	451,996	20,804
4501 · Miscellaneous Income	0	750	(750)	0	3,000	(3,000)
Total Income	62,302	266,040	(203,738)	(346,459)	438,288	(784,747)
Expense						
5000 · Direct Expenses	98,560	151,920	(53,360)	432,139	607,680	(175,541)
6000 · General & Administrative Exp	38,793	46,245	(7,452)	162,199	184,980	(22,781)
6325 · CEO Discretionary Fund	5,000	2,083	2,917	15,000	8,332	6,668
6445 · LPMP Expenses	86,547	94,176	(7,629)	357,337	376,704	(19,367)
6500 · Professional Fees Expense	97,770	89,019	8,751	380,198	356,076	24,122
6700 · Trust Expenses	5,458	6,021	(563)	26,633	24,084	2,549
Total Expense Before Grants	332,128	389,464	(57,336)	1,373,505	1,557,859	(184,354)
7000 · Grants Expense	5,000	333,333	(328,333)	20,000	1,333,332	(1,313,332)
Net Income	(274,826)	(456,757)	181,931	(1,739,964)	(2,452,903)	712,939

Desert Healthcare District
Profit & Loss Budget vs. Actual
 July through October 2022

	MONTH			TOTAL		
	Oct 22	Budget	\$ Over Budget	Jul - Oct 22	Budget	\$ Over Budget
Income						
4000 · Income						
4010 · Property Tax Revenues	0	208,624	(208,624)	27,553	208,624	(181,071)
4200 · Interest Income						
4220 · Interest Income (FRF)	66,771	75,000	(8,229)	307,729	300,000	7,729
9999-1 · Unrealized gain(loss) on invest	(123,444)	(133,333)	9,889	(1,162,541)	(533,332)	(629,209)
Total 4200 · Interest Income	(56,673)	(58,333)	1,660	(854,812)	(233,332)	(621,480)
4300 · DHC Recoveries	0	2,000	(2,000)	8,000	8,000	0
Total 4000 · Income	(56,673)	152,291	(208,964)	(819,259)	(16,708)	(802,551)
4500 · LPMP Income	118,975	112,999	5,976	472,800	451,996	20,804
4501 · Miscellaneous Income	0	750	(750)	0	3,000	(3,000)
Total Income	62,302	266,040	(203,738)	(346,459)	438,288	(784,747)
Expense						
5000 · Direct Expenses						
5100 · Administration Expense						
5110 · Wages Expense	100,986	121,344	(20,358)	393,102	485,376	(92,274)
5111 · Allocation to LPMP - Payroll	(6,363)	(5,470)	(893)	(25,452)	(21,880)	(3,572)
5112 · Vacation/Sick/Holiday Expense	6,195	11,667	(5,472)	71,010	46,668	24,342
5114 · Allocation to Foundation	(27,936)	(27,936)	0	(111,744)	(111,744)	0
5119 · Allocation-FED FUNDS/CVHIP-DHCF	(15,264)	(13,823)	(1,441)	(64,606)	(55,292)	(9,314)
5120 · Payroll Tax Expense	6,033	9,633	(3,600)	31,974	38,532	(6,558)
5130 · Health Insurance Expense						
5131 · Premiums Expense	19,482	21,576	(2,094)	72,405	86,304	(13,899)
5135 · Reimb./Co-Payments Expense	0	1,950	(1,950)	2,375	7,800	(5,425)
Total 5130 · Health Insurance Expense	19,482	23,526	(4,044)	74,780	94,104	(19,324)
5140 · Workers Comp. Expense	427	399	28	2,160	1,596	564
5145 · Retirement Plan Expense	9,235	8,895	340	37,988	35,580	2,408
5160 · Education Expense	550	7,083	(6,533)	6,385	28,332	(21,947)
Total 5100 · Administration Expense	93,345	135,318	(41,973)	415,597	541,272	(125,675)
5200 · Board Expenses						
5210 · Healthcare Benefits Expense	1,092	1,096	(4)	4,376	4,384	(8)
5230 · Meeting Expense	1,909	2,667	(758)	4,754	10,668	(5,914)
5235 · Director Stipend Expense	1,764	3,465	(1,701)	6,484	13,860	(7,376)
5240 · Catering Expense	450	833	(383)	775	3,332	(2,557)
5250 · Mileage Reimbursement Expense	0	208	(208)	153	832	(679)
5270 · Election Fees Expense	0	8,333	(8,333)	0	33,332	(33,332)
Total 5200 · Board Expenses	5,215	16,602	(11,387)	16,542	66,408	(49,866)
Total 5000 · Direct Expenses	98,560	151,920	(53,360)	432,139	607,680	(175,541)

Desert Healthcare District
Profit & Loss Budget vs. Actual
 July through October 2022

	MONTH			TOTAL		
	Oct 22	Budget	\$ Over Budget	Jul - Oct 22	Budget	\$ Over Budget
6000 · General & Administrative Exp						
6110 · Payroll fees Expense	187	208	(21)	781	832	(51)
6120 · Bank and Investment Fees Exp	5,439	4,500	939	22,650	18,000	4,650
6125 · Depreciation Expense	985	4,917	(3,932)	3,940	19,668	(15,728)
6126 · Depreciation-Solar Parking lot	15,072	15,072	0	60,288	60,288	0
6130 · Dues and Membership Expense	4,973	4,159	814	13,448	16,636	(3,188)
6200 · Insurance Expense	4,129	2,667	1,462	15,916	10,668	5,248
6300 · Minor Equipment Expense	0	42	(42)	0	168	(168)
6305 · Auto Allowance & Mileage Exp	462	500	(38)	2,078	2,000	78
6306 · Staff- Auto Mileage reimb	0	625	(625)	193	2,500	(2,307)
6309 · Personnel Expense	0	375	(375)	0	1,500	(1,500)
6310 · Miscellaneous Expense	0	42	(42)	0	168	(168)
6311 · Cell Phone Expense	511	725	(214)	2,094	2,900	(806)
6312 · Wellness Park Expenses	0	83	(83)	0	332	(332)
6315 · Security Monitoring Expense	108	50	58	216	200	16
6340 · Postage Expense	228	333	(105)	843	1,332	(489)
6350 · Copier Rental/Fees Expense	377	500	(123)	1,508	2,000	(492)
6351 · Travel Expense	1,570	1,667	(97)	7,553	6,668	885
6352 · Meals & Entertainment Exp	130	875	(745)	3,106	3,500	(394)
6355 · Computer Services Expense	1,874	4,263	(2,389)	13,115	17,052	(3,937)
6360 · Supplies Expense	344	1,917	(1,573)	3,791	7,668	(3,877)
6380 · LAFCO Assessment Expense	205	208	(3)	820	832	(12)
6400 · East Valley Office	2,199	2,517	(318)	9,859	10,068	(209)
Total 6000 · General & Administrative Exp	38,793	46,245	(7,452)	162,199	184,980	(22,781)
6325 · CEO Discretionary Fund	5,000	2,083	2,917	15,000	8,332	6,668
6445 · LPMP Expenses	86,547	94,176	(7,629)	357,337	376,704	(19,367)
6500 · Professional Fees Expense						
6516 · Professional Services Expense	96,012	72,094	23,918	320,501	288,376	32,125
6520 · Annual Audit Fee Expense	1,458	1,458	0	5,832	5,832	0
6530 · PR/Communications/Website	300	5,467	(5,167)	14,920	21,868	(6,948)
6560 · Legal Expense	0	10,000	(10,000)	38,945	40,000	(1,055)
Total 6500 · Professional Fees Expense	97,770	89,019	8,751	380,198	356,076	24,122
6700 · Trust Expenses						
6720 · Pension Plans Expense						
6721 · Legal Expense	0	167	(167)	0	668	(668)
6725 · RPP Pension Expense	5,000	5,000	0	20,000	20,000	0
6728 · Pension Audit Fee Expense	458	854	(396)	6,633	3,416	3,217
Total 6700 · Trust Expenses	5,458	6,021	(563)	26,633	24,084	2,549
Total Expense Before Grants	332,128	389,464	(57,336)	1,373,505	1,557,859	(184,354)
7000 · Grants Expense						
7010 · Major Grant Awards Expense	5,000	333,333	(328,333)	20,000	1,333,332	(1,313,332)
Net Income	(274,826)	(456,757)	181,931	(1,739,964)	(2,452,903)	712,939

Las Palmas Medical Plaza
Profit & Loss Budget vs. Actual
July through October 2022

	MONTH			TOTAL		
	Oct 22	Budget	\$ Over Budget	Jul - Oct 22	Budget	\$ Over Budget
Income						
4500 · LPMP Income						
4505 · Rental Income	85,060	80,018	5,042	337,847	320,072	17,775
4510 · CAM Income	33,915	32,898	1,017	134,953	131,592	3,361
4513 · Misc. Income	0	83	(83)	0	332	(332)
Total 4500 · LPMP Income	118,975	112,999	5,976	472,800	451,996	20,804
Expense						
6445 · LPMP Expenses						
6420 · Insurance Expense	4,338	3,125	1,213	17,352	12,500	4,852
6425 · Building - Depreciation Expense	24,455	27,441	(2,986)	97,820	109,764	(11,944)
6426 · Tenant Improvements -Dep Exp	16,959	16,667	292	67,836	66,668	1,168
6427 · HVAC Maintenance Expense	872	1,333	(461)	1,556	5,332	(3,776)
6428 · Roof Repairs Expense	0	208	(208)	0	832	(832)
6431 · Building -Interior Expense	0	625	(625)	0	2,500	(2,500)
6432 · Plumbing -Interior Expense	0	667	(667)	1,619	2,668	(1,049)
6433 · Plumbing -Exterior Expense	0	208	(208)	0	832	(832)
6434 · Allocation Internal Prop. Mgmt	6,363	5,470	893	25,452	21,880	3,572
6435 · Bank Charges	28	42	(14)	124	168	(44)
6437 · Utilities -Vacant Units Expense	0	183	(183)	334	732	(398)
6439 · Deferred Maintenance Repairs Ex	0	1,250	(1,250)	0	5,000	(5,000)
6440 · Professional Fees Expense	11,150	11,150	0	44,600	44,600	0
6441 · Legal Expense	0	83	(83)	0	332	(332)
6458 · Elevators - R & M Expense	496	1,000	(504)	4,147	4,000	147
6460 · Exterminating Service Expense	275	333	(58)	10,595	1,332	9,263
6463 · Landscaping Expense	0	750	(750)	0	3,000	(3,000)
6467 · Lighting Expense	0	500	(500)	0	2,000	(2,000)
6468 · General Maintenance Expense	0	83	(83)	0	332	(332)
6471 · Marketing-Advertising	0	1,250	(1,250)	1,475	5,000	(3,525)
6475 · Property Taxes Expense	6,250	6,500	(250)	25,000	26,000	(1,000)
6476 · Signage Expense	0	125	(125)	379	500	(121)
6480 · Rubbish Removal Medical Waste E	1,356	1,500	(144)	5,243	6,000	(757)
6481 · Rubbish Removal Expense	2,651	3,058	(407)	9,908	12,232	(2,324)
6482 · Utilities/Electricity/Exterior	(1)	625	(626)	1,232	2,500	(1,268)
6484 · Utilities - Water (Exterior)	730	625	105	3,843	2,500	1,343
6485 · Security Expenses	10,625	9,208	1,417	38,612	36,832	1,780
6490 · Miscellaneous Expense	0	167	(167)	210	668	(458)
Total 6445 · LPMP Expenses	86,547	94,176	(7,629)	357,337	376,704	(19,367)
Net Income	32,428	18,823	13,605	115,463	75,292	40,171

Desert Healthcare District
Balance Sheet Previous Year Comparison
As of October 31, 2022

			Oct 31, 22	Oct 31, 21
ASSETS				
Current Assets				
Checking/Savings				
		1000 · CHECKING CASH ACCOUNTS	1,299,706	1,325,798
		1100 · INVESTMENT ACCOUNTS	60,193,977	61,463,463
		Total Checking/Savings	61,493,683	62,789,261
		Total Accounts Receivable	70,057	88,651
Other Current Assets				
		1204.1 · Rent Receivable-Deferred COVID	76,598	136,510
		1270 · Prepaid Insurance -Ongoing	69,769	51,377
		1279 · Pre-Paid Fees	35,009	30,578
		1281 · CalFresh Receivable	0	15,569
		Total Other Current Assets	181,376	234,034
		Total Current Assets	61,745,116	63,111,946
Fixed Assets				
		1300 · FIXED ASSETS	5,072,032	4,910,941
		1335-00 · ACC DEPR	(2,439,865)	(2,225,020)
		1400 · LPMP Assets	7,060,630	7,196,731
		Total Fixed Assets	9,692,797	9,882,652
Other Assets				
		1700 · OTHER ASSETS	3,519,745	3,965,220
TOTAL ASSETS			74,957,658	76,959,818

Desert Healthcare District
Balance Sheet Previous Year Comparison
As of October 31, 2022

			Oct 31, 22	Oct 31, 21
LIABILITIES & EQUITY				
Liabilities				
Current Liabilities				
Accounts Payable				
		2000 · Accounts Payable	93,746	8,602
		2001 · LPMP Accounts Payable	7,113	86,227
		Total Accounts Payable	100,859	94,829
Other Current Liabilities				
		2002 · LPMP Property Taxes	25,000	25,000
		2003 · Prepaid Rents	0	9,121
		2131 · Grant Awards Payable	4,472,260	4,038,555
		2133 · Accrued Accounts Payable	159,550	139,550
		2141 · Accrued Vacation Time	86,388	85,729
		2188 · Current Portion - LTD	9,869	9,869
		2190 · Investment Fees Payable	4,488	5,000
		Total Other Current Liabilities	4,757,555	4,312,824
		Total Current Liabilities	4,858,414	4,407,653
Long Term Liabilities				
		2171 · RPP-Deferred Inflows-Resources	492,802	675,732
		2280 · Long-Term Disability	2,981	16,281
		2281 · Grants Payable - Long-term	3,520,000	4,990,000
		2290 · LPMP Security Deposits	64,960	59,101
		Total Long Term Liabilities	4,080,743	5,741,114
		Total Liabilities	8,939,157	10,148,767
Equity				
		3900 · *Retained Earnings	67,758,461	67,408,928
		Net Income	(1,739,964)	(597,877)
		Total Equity	66,018,497	66,811,051
TOTAL LIABILITIES & EQUITY			74,957,658	76,959,818

Desert Healthcare District
Balance Sheet Previous Year Comparison
As of October 31, 2022

		Oct 31, 22	Oct 31, 21
ASSETS			
Current Assets			
Checking/Savings			
1000 · CHECKING CASH ACCOUNTS			
	1010 · Union Bank - Checking	0	1,072,079
	1012 · Union Bank Operating - 9356	982,148	0
	1046 · Las Palmas Medical Plaza	317,058	253,219
	1047 · Petty Cash	500	500
	Total 1000 · CHECKING CASH ACCOUNTS	1,299,706	1,325,798
1100 · INVESTMENT ACCOUNTS			
	1130 · Facility Replacement Fund	63,232,642	61,225,337
	1135 · Unrealized Gain(Loss) FRF	(3,038,665)	238,126
	Total 1100 · INVESTMENT ACCOUNTS	60,193,977	61,463,463
	Total Checking/Savings	61,493,683	62,789,261
Accounts Receivable			
1201 · Accounts Receivable			
	1204 · LPMP Accounts Receivable	(16,958)	(6,140)
	1205 · Misc. Accounts Receivable	0	750
	1211 · A-R Foundation - Exp Allocation	87,015	94,041
	Total Accounts Receivable	70,057	88,651
Other Current Assets			
	1204.1 · Rent Receivable-Deferred COVID	76,598	136,510
	1270 · Prepaid Insurance -Ongoing	69,769	51,377
	1279 · Pre-Paid Fees	35,009	30,578
	1281 · CalFresh Receivable	0	15,569
	Total Other Current Assets	181,376	234,034
	Total Current Assets	61,745,116	63,111,946
Fixed Assets			
1300 · FIXED ASSETS			
	1310 · Computer Equipment	91,664	80,487
	1320 · Furniture and Fixtures	33,254	33,254
	1321 · Mobile Medical Unit	197,214	59,500
	1322 · Tenant Improvement - RAP #G100	32,794	20,594
	1325 · Offsite Improvements	300,849	300,849
	1331 · DRMC - Parking lot	4,416,257	4,416,257
	Total 1300 · FIXED ASSETS	5,072,032	4,910,941

Desert Healthcare District
Balance Sheet Previous Year Comparison
As of October 31, 2022

		Oct 31, 22	Oct 31, 21
	1335-00 · ACC DEPR		
	1335 · Accumulated Depreciation	(222,738)	(211,307)
	1337 · Accum Deprec- Solar Parking Lot	(2,019,819)	(1,838,955)
	1338 · Accum Deprec - LPMP Parking Lot	(197,308)	(174,758)
	Total 1335-00 · ACC DEPR	(2,439,865)	(2,225,020)
	1400 · LPMP Assets		
	1401 · Building	8,705,680	8,705,680
	1402 · Land	2,165,300	2,165,300
	1403 · Tenant Improvements -New	2,271,406	2,185,396
	1404 · Tenant Improvements - CIP	129,550	129,550
	1406 · Building Improvements		
	1406.1 · LPMP-Replace Parking Lot	676,484	676,484
	1406.2 · Building Improvements-CIP	459,999	815,518
	1406 · Building Improvements - Other	2,153,527	1,581,558
	Total 1406 · Building Improvements	3,290,010	3,073,560
	1407 · Building Equipment Improvements	444,268	423,000
	1409 · Accumulated Depreciation		
	1410 · Accum. Depreciation	(7,964,713)	(7,719,618)
	1412 · T I Accumulated Dep.-New	(1,980,871)	(1,766,137)
	Total 1409 · Accumulated Depreciation	(9,945,584)	(9,485,755)
	Total 1400 · LPMP Assets	7,060,630	7,196,731
	Total Fixed Assets	9,692,797	9,882,652
	Other Assets		
	1700 · OTHER ASSETS		
	1731 · Wellness Park	1,693,800	1,693,800
	1740 · RPP-Deferred Outflows-Resources	836,699	494,388
	1742 · RPP - Net Pension Asset	989,246	1,777,032
	Total Other Assets	3,519,745	3,965,220
	TOTAL ASSETS	74,957,658	76,959,818

Desert Healthcare District
Balance Sheet Previous Year Comparison
As of October 31, 2022

				Oct 31, 22	Oct 31, 21
LIABILITIES & EQUITY					
Liabilities					
Current Liabilities					
Accounts Payable					
			2000 - Accounts Payable	93,746	8,602
			2001 - LPMP Accounts Payable	7,113	86,227
			Total Accounts Payable	100,859	94,829
Other Current Liabilities					
			2002 - LPMP Property Taxes	25,000	25,000
			2003 - Prepaid Rents	0	9,121
			2131 - Grant Awards Payable	4,472,260	4,038,555
			2133 - Accrued Accounts Payable	159,550	139,550
			2141 - Accrued Vacation Time	86,388	85,729
			2188 - Current Portion - LTD	9,869	9,869
			2190 - Investment Fees Payable	4,488	5,000
			Total Other Current Liabilities	4,757,555	4,312,824
			Total Current Liabilities	4,858,414	4,407,653
Long Term Liabilities					
			2171 - RPP-Deferred Inflows-Resources	492,802	675,732
			2280 - Long-Term Disability	2,981	16,281
			2281 - Grants Payable - Long-term	3,520,000	4,990,000
			2290 - LPMP Security Deposits	64,960	59,101
			Total Long Term Liabilities	4,080,743	5,741,114
			Total Liabilities	8,939,157	10,148,767
Equity					
			3900 - *Retained Earnings	67,758,461	67,408,928
			Net Income	(1,739,964)	(597,877)
			Total Equity	66,018,497	66,811,051
TOTAL LIABILITIES & EQUITY				74,957,658	76,959,818

Desert Healthcare District
A/R Aging Summary
As of October 31, 2022

	Current	1 - 30	31 - 60	61 - 90	> 90	TOTAL	COMMENT
Arthritis & Rheumatic Care Clinic, Inc	(1,927)	0	0	0	0	(1,927)	Prepaid
Coachella Valley Volunteers in Medicine-	488	(3,123)	0	0	0	(2,635)	Prepaid
Desert Healthcare Foundation-	41,758	0	43,815	0	0	85,573	Due from Foundation
Desert Oasis Healthcare	0	(2,499)	0	0	0	(2,499)	Prepaid
Quest Diagnostics Incorporated	0	(4,154)	0	0	0	(4,154)	Prepaid
Steven Gundry, M.D.	0	(5,743)	0	0	0	(5,743)	Prepaid
TOTAL	40,319	(15,519)	43,815	0	0	68,615	

Desert Healthcare District
Deposit Detail
 October 2022

Type	Date	Name	Amount
Deposit	10/11/2022		287
		Principal Financial Group	(287)
TOTAL			(287)

DESERT HEALTHCARE DISTRICT										
PROPERTY TAX RECEIPTS FY 2022 - 2023										
RECEIPTS - FOUR MONTHS ENDED OCTOBER 31, 2022										
	FY 2021-2022 Projected/Actual					FY 2022-2023 Projected/Actual				
	Budget %	Budget \$	Act %	Actual Receipts	Variance	Receipts %	Receipts \$	Act %	Actual Receipts	Variance
July	2.5%	\$ 182,825	2.2%	\$ 162,345	\$ (20,480)	0.0%	\$ -	0.0%	\$ 3,676	\$ 3,676
Aug	1.6%	\$ 117,008	0.2%	\$ 11,529	\$ (105,479)	0.0%	\$ -	2.2%	\$ 175,271	\$ 175,271
Sep	0.0%	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	0.0%	\$ 3,382	\$ 3,382
Oct	2.6%	\$ 190,138	0.0%	\$ 130	\$ (190,008)	2.6%	\$ 208,624	0.0%	\$ -	\$ (208,624)
Nov	0.4%	\$ 29,252	2.5%	\$ 181,286	\$ 152,034	0.4%	\$ 32,096	0.0%		
Dec	16.9%	\$ 1,235,897	18.3%	\$ 1,337,681	\$ 101,784	16.9%	\$ 1,356,056	0.0%		
Jan	31.9%	\$ 2,332,847	37.8%	\$ 2,763,324	\$ 430,477	31.9%	\$ 2,559,656	0.0%		
Feb	0.0%	\$ -	2.5%	\$ 180,240	\$ 180,240	0.0%	\$ -	0.0%		
Mar	0.3%	\$ 21,939	0.5%	\$ 35,819	\$ 13,880	0.3%	\$ 24,072	0.0%		
Apr	5.5%	\$ 402,215	6.1%	\$ 443,891	\$ 41,676	5.5%	\$ 441,320	0.0%		
May	19.9%	\$ 1,455,287	45.0%	\$ 3,288,706	\$ 1,833,419	19.9%	\$ 1,596,776	0.0%		
June	18.4%	\$ 1,345,592	0.7%	\$ 47,936	\$ (1,297,656)	22.5%	\$ 1,805,400	0.0%		
Total	100%	\$ 7,313,000	115.6%	\$ 8,452,887	\$ 1,139,887	100.00%	\$ 8,024,000	2.3%	\$ 182,330	\$ (26,294)

**Las Palmas Medical Plaza
Deposit Detail - LPMP
October 2022**

Type	Date	Name	Amount
Deposit	10/03/2022		1,927
Payment	10/03/2022	Arthritis & Rheumatic Care Clinic, Inc	(1,927)
TOTAL			(1,927)
Deposit	10/04/2022		10,306
Payment	10/04/2022	EyeCare Services Partners Management LLC	(7,552)
Payment	10/04/2022	WestPac Labs, Inc.	(2,755)
TOTAL			(10,307)
Deposit	10/04/2022		14,714
Payment	10/03/2022	Cure Cardiovascular Consultants	(3,212)
Payment	10/03/2022	Aijaz Hashmi, M.D., Inc.	(3,101)
Payment	10/03/2022	Brad A. Wolfson, M.D.	(3,699)
Payment	10/03/2022	Cohen Musch Thomas Medical Group	(4,703)
TOTAL			(14,715)
Deposit	10/11/2022		14,726
Payment	10/11/2022	Ramy Awad, M.D.	(3,494)
Payment	10/11/2022	Peter Jamieson, M.D.	(3,410)
Payment	10/11/2022	Laboratory Corporation of America	(252)
Payment	10/11/2022	Pathway Pharmaceuticals, Inc.	(2,471)
Payment	10/11/2022	Laboratory Corporation of America	(5,101)
TOTAL			(14,728)
Deposit	10/11/2022		3,835
Payment	10/11/2022	Desert Family Medical Center	(3,835)
TOTAL			(3,835)
Deposit	10/14/2022		33,683
Payment	10/14/2022	Tenet HealthSystem Desert, Inc.	(33,683)
TOTAL			(33,683)

**Las Palmas Medical Plaza
Deposit Detail - LPMP
October 2022**

Type	Date	Name	Amount
Deposit	10/17/2022		7,194
Payment	10/17/2022	Palmtree Clinical Research	(7,194)
TOTAL			(7,194)
Deposit	10/26/2022		4,154
Payment	10/26/2022	Quest Diagnostics Incorporated	(4,154)
TOTAL			(4,154)
Deposit	10/27/2022		17,806
Payment	10/27/2022	Desert Regional Medical Center	(5,690)
Payment	10/27/2022	Tenet HealthSystem Desert, Inc	(6,494)
Payment	10/27/2022	Coachella Valley Volunteers in Medicine-	(3,123)
Payment	10/27/2022	Desert Oasis Healthcare	(2,499)
TOTAL			(17,806)
Deposit	10/27/2022		5,743
Payment	10/27/2022	Steven Gundry, M.D.	(5,743)
TOTAL			(5,743)
Deposit	10/31/2022		1,927
Payment	10/31/2022	Arthritis & Rheumatic Care Clinic, Inc	(1,927)
TOTAL			(1,927)
		TOTAL	116,015

Desert Healthcare District
Check Register
As of October 31, 2022

Type	Date	Num	Name	Amount
1000 - CHECKING CASH ACCOUNTS				
1012 - Union Bank Operating - 9356				
Bill Pmt -Check	10/03/2022	1302	Graphtek Hosting	(300)
Bill Pmt -Check	10/03/2022	1303	Rogers, Carole - Expense Reimbursement	(256)
Bill Pmt -Check	10/03/2022	1304	So.Cal Computer Shop	(810)
Bill Pmt -Check	10/03/2022	1305	Underground Service Alert of Southern Cal	(2)
Bill Pmt -Check	10/03/2022	1306	Boyd & Associates	(108)
Bill Pmt -Check	10/04/2022	1307	Carmina Zavala - Stipend	(546)
Bill Pmt -Check	10/04/2022	1308	Karen Borja - Stipend	(1,601)
Bill Pmt -Check	10/06/2022	ACH 100622	Law Offices of Scott & Jackson	(15,210)
Check	10/06/2022	Auto Pay	Calif. Public Employees'Retirement System	(15,419)
Bill Pmt -Check	10/11/2022	1309	California Consulting	(4,250)
Bill Pmt -Check	10/11/2022	1310	Donna Den Bleyker - Expense Reimbursement	(928)
Bill Pmt -Check	10/11/2022	1311	First Bankcard (Union Bank)	(4,682)
Bill Pmt -Check	10/11/2022	1312	Hunter Johnsen, Inc.	(350)
Bill Pmt -Check	10/11/2022	1313	Pitney Bowes Global Financial Services	(228)
Bill Pmt -Check	10/11/2022	1314	Rogers, Carole - Stipend	(662)
Bill Pmt -Check	10/11/2022	1315	Staples Credit Plan	(1,723)
Bill Pmt -Check	10/11/2022	1316	State Compensation Insurance Fund	(427)
Bill Pmt -Check	10/11/2022	1317	First Bankcard (Union Bank)	(4,515)
Bill Pmt -Check	10/11/2022	1318	SDRMA	(200)
Bill Pmt -Check	10/12/2022	ACH 101422	Spitfire Strategies, LLC	(3,150)
Liability Check	10/14/2022		QuickBooks Payroll Service	(51,073)
Bill Pmt -Check	10/14/2022	1319	Evelt PerezGil - Stipend	(441)
Bill Pmt -Check	10/14/2022	1320	JFK Memorial Foundation - Grant Payment	(25,893)
Bill Pmt -Check	10/14/2022	1321	Olive Crest Treatment Center, Inc. - Grant Payment	(55,553)
Bill Pmt -Check	10/14/2022	1322	Regional Access Project Foundation	(279)
Bill Pmt -Check	10/14/2022	1323	Xerox Financial Services	(377)
Bill Pmt -Check	10/18/2022	1324	Principal Life Insurance Co.	(2,001)
Bill Pmt -Check	10/18/2022	1325	California Special Districts Association	(8,810)
Bill Pmt -Check	10/18/2022	1326	Al Horton Memorial Rotary Foundation - Grant Payment	(5,000)
Bill Pmt -Check	10/18/2022	1327	Erica Huskey - Expense Reimbursement	(1,404)
Bill Pmt -Check	10/18/2022	1328	DPMG Health - Grant Payment	(50,000)
Check	10/25/2022		Bank Service Charge	(439)
Bill Pmt -Check	10/27/2022	1329	Eric Taylor - Expense Reimbursement	(34)
Bill Pmt -Check	10/27/2022	1330	Frazier Pest Control, Inc.	(33)
Bill Pmt -Check	10/27/2022	1331	Image Source	(52)
Bill Pmt -Check	10/27/2022	1332	Magdalena Martinez - HR Consulting Services	(927)
Bill Pmt -Check	10/27/2022	1333	Ready Refresh	(50)

Desert Healthcare District
Check Register
As of October 31, 2022

Type	Date	Num	Name	Amount
Bill Pmt -Check	10/27/2022	1334	Regional Access Project Foundation	(2,010)
Bill Pmt -Check	10/27/2022	1335	So.Cal Computer Shop	(1,096)
Bill Pmt -Check	10/27/2022	1336	UC Riverside Foundation - Sponsorship	(5,000)
Bill Pmt -Check	10/27/2022	1337	Zendle, Les - Stipend	(441)
Bill Pmt -Check	10/27/2022	1338	CoPower Employers' Benefits Alliance	(1,750)
Bill Pmt -Check	10/27/2022	1339	Ronald McDonald House Charities - Grant Payment	(11,944)
Bill Pmt -Check	10/27/2022	1340	Spectrum (Time Warner)	(166)
Bill Pmt -Check	10/27/2022	1341	Carmina Zavala - Stipend	(441)
Liability Check	10/28/2022		QuickBooks Payroll Service	(52,925)
Bill Pmt -Check	10/28/2022	1342	Calif. State University, San Bernardino - Grant Payment	(24,325)
Bill Pmt -Check	10/28/2022	1343	Cove Communities Senior Association - Grant Payment	(38,250)
Bill Pmt -Check	10/28/2022	1344	Verizon Wireless	(613)
Check	10/31/2022	Auto Pay	Principal Financial Group-	(895)
TOTAL				(397,589)

Desert Healthcare District						
Details for Credit Card Expenditures						
Credit card purchases - September 2022 - Paid October 2022						
Number of credit cards held by District personnel -2						
Credit Card Limit - \$25,000 - Conrado, \$20,000 - Chris						
Credit Card Holders:						
Conrado Bárzaga - Chief Executive Officer						
Chris Christensen - Chief Administration Officer						
Routine types of charges:						
Office Supplies, Dues for membership, Computer Supplies, Meals, Travel including airlines and Hotels, Catering, Supplies for BOD meetings, CEO Discretionary for small grant & gift items						
Statement						
Year	Month	Total Charges	Expense Type	Amount	Purpose	Description
		\$ 9,196.86				
Chris' Statement:						
2022	September	\$ 4,515.10	District			
			GL	Dollar	Description	
			6130	\$ 1,350.00	Guidestar Charity Check - Annual Subscription	
			6355	\$ 26.62	Premiere Global Services - August 2022	
			6355	\$ 250.76	Zoom videoconference/webinar expense	
			6311	\$ 44.92	Spectrum - Wireless phone order for package pricing	
			6355	\$ 2,842.80	Adobe Pro annual subscription	
				\$ 4,515.10		
Conrado's Statement:						
2022	September	\$ 4,681.76	District			
			GL	Dollar	Description	
			6351	\$ 891.20	American Airlines - APHA Annual Meeting - November 2022 Boston, MA - Conrado Barzaga	
			6352	\$ 204.97	Jensen's - Food for September 7, 2022 Behavioral Health Workgroup Meeting - To be transferred to Foundation	
			6352	\$ 126.60	Anapalco - ACHD Annual Meeting	
			6352	\$ 62.53	Paradise Dynasty - ACHD Annual Meeting	
			6351	\$ 17.50	Park Tower Garage - Parking for Vaca - ACHD Annual Meeting	
			6352	\$ 584.48	Vaca - ACHD Annual Meeting	
			6351	\$ 769.42	Hyat Regency - Hotel for ACHD Annual Meeting - Conrado Barzaga	
			6351	\$ 664.53	Hyat Regency - Hotel for ACHD Annual Meeting - Vice-President PerezGil	
			6351	\$ 760.53	Hyat Regency - Hotel for ACHD Annual Meeting - Director Rogers	
			5160	\$ 290.00	Vision Y Compromiso Annual Conference - Conrado Barzaga	
			5230	\$ 95.00	All Valley Mayors and Tribal Chairpersons Luncheon 2022 - Director De Lara	
			5160	\$ 95.00	All Valley Mayors and Tribal Chairpersons Luncheon 2022 - Conrado Barzaga	
			5160	\$ 120.00	PSUSD Alumni Present: One Night Out: Havana Nights - Conrado Barzaga +1	
				\$ 4,681.76		

**Las Palmas Medical Plaza
Check Register - LPMP
As of October 31, 2022**

Type	Date	Num	Name	Amount
1000 - CHECKING CASH ACCOUNTS				
1046 - Las Palmas Medical Plaza				
Bill Pmt -Check	10/03/2022	10638	Palm Springs Disposal Services Inc	(2,419)
Bill Pmt -Check	10/04/2022	10639	Stericycle, Inc.	(1,293)
Bill Pmt -Check	10/11/2022	10640	Desert Air Conditioning Inc.	(430)
Bill Pmt -Check	10/11/2022	10641	Frazier Pest Control, Inc.	(275)
Bill Pmt -Check	10/11/2022	10642	Imperial Security	(2,125)
Bill Pmt -Check	10/14/2022	10643	Southern California Edison	(487)
Bill Pmt -Check	10/18/2022	10644	Frontier Communications	(246)
Bill Pmt -Check	10/27/2022	10645	Desert Air Conditioning Inc.	(442)
Bill Pmt -Check	10/27/2022	10646	INPRO Environmental Management Services	(11,150)
Bill Pmt -Check	10/28/2022	10647	Imperial Security	(6,375)
Check	10/31/2022		Bank Service Charge	(434)
TOTAL				(25,676)



MEMORANDUM

DATE: November 16, 2022
 TO: F&A Committee
 RE: Retirement Protection Plan (RPP)

Current number of participants in Plan:

	<u>September</u>	<u>October</u>
Active – still employed by hospital	80	79
Vested – no longer employed by hospital	55	54
Former employees receiving annuity	<u>7</u>	<u>7</u>
Total	<u>142</u>	<u>140</u>

The outstanding liability for the RPP is approximately **\$3.3M** (Actives - \$2.0M and Vested - \$1.3M). US Bank investment account balance \$4.6M. Per the June 30, 2022, Actuarial Valuation, the RPP has an Overfunded Pension Asset of approximately **\$1.0M**.

The payouts, excluding monthly annuity payments, made from the Plan for the four (4) months ended October 31, 2022, totaled **\$156K**. Monthly annuity payments (7 participants) total **\$1.0K** per month.

DESERT HEALTHCARE DISTRICT							
OUTSTANDING GRANTS AND GRANT PAYMENT SCHEDULE							
October 31, 2022							
TWELVE MONTHS ENDING JUNE 30, 2023							
Grant ID Nos.	Name	Approved Grants - Prior Yrs	6/30/2022 Bal Fwd	Current Yr 2021-2022	Total Paid Prior Yrs July-June	Total Paid Current Yr July-June	Open BALANCE
2014-MOU-BOD-11/21/13	Memo of Understanding CVAG CV Link Support	\$ 10,000,000	\$ 4,990,000		\$ -		\$ 4,990,000
2021-1136-BOD-01-26-21	Ronald McDonald House Charities - Temporary Housing & Family Support Services - 1 Yr.	\$ 119,432	\$ 11,944		\$ 11,944		\$ -
2021-1171-BOD-03-23-21	Blood Bank of San Bernardino/Riverside Counties - Bloodmobiles for Coachella Valley - 18 Months	\$ 150,000	\$ 15,000		\$ -		\$ 15,000
2021-1266-BOD-04-27-21	Galilee Center - Our Lady of Guadalupe Shelter - 1 Yr.	\$ 150,000	\$ 15,000		\$ 15,000		\$ -
2021-1277-BOD-04-27-21	Lift To Rise - United Lift Rental Assistance 2021 - 8 Months	\$ 300,000	\$ 30,000		\$ 30,000		\$ -
2021-1280-BOD-05-25-21	Desert AIDS Project - DAP Health Expands Access to Healthcare - 1 Yr.	\$ 100,000	\$ 10,000		\$ 10,000		\$ -
2021-1296-BOD-11-23-21	Coachella Valley Volunteers In Medicine - Improving Access to Healthcare Services - 1 Yr.	\$ 154,094	\$ 84,752		\$ 69,342		\$ 15,410
2021-1289-BOD-12-21-21	Desert Cancer Foundation - Patient Assistance Program - 1 Yr.	\$ 150,000	\$ 82,500		\$ 67,500		\$ 15,000
2022-1301-BOD-01-25-22	UCR Regents - Community Based Interventions to Mitigate Psychological Trauma - 1 Yr.	\$ 113,514	\$ 62,433		\$ -		\$ 62,433
2022-1302-BOD-01-25-22	Vision To Learn - Palm Springs, Desert Sands, and Coachella Valley School Districts 1 Yr.	\$ 50,000	\$ 27,500		\$ -		\$ 27,500
2022-1303-BOD-01-25-22	CSU San Bernardino Palm Desert Campus Street Medicine Program - 1 Yr.	\$ 54,056	\$ 29,731		\$ 24,325		\$ 5,405
2022-1306-BOD-02-22-22	Olive Crest Treatment Center - General Support for Mental Health Services - 1 Yr.	\$ 123,451	\$ 67,898		\$ 55,553		\$ 12,345
2022-1311-BOD-04-26-22	Desert Arc - Healthcare for Adults with Disabilities Project Employment of Nurses - 1 Yr.	\$ 102,741	\$ 56,508		\$ -		\$ 56,508
2022-1313-BOD-04-26-22	Angel View - Improving Access to Primary and Specialty Care Services for Children With Disabilities 1 Yr.	\$ 76,790	\$ 42,235		\$ -		\$ 42,235
2022-1314-BOD-05-24-22	Voices for Children - Court Appointed Special Advocate Program - 1 Yr.	\$ 60,000	\$ 60,000		\$ 27,000		\$ 33,000
2022-1325-BOD-06-28-22	Vision Y Compromiso - CVEC Unrestricted Grant Funds - 2 Yrs.	\$ 150,000	\$ 150,000		\$ 33,750		\$ 116,250
2022-1327-BOD-06-28-22	Youth Leadership Institute - Youth Voice in Mental Health - 2 Yrs.	\$ 50,000	\$ 50,000		\$ 11,250		\$ 38,750
2022-1328-BOD-06-28-22	El Sol - Expanding Access to Educational Resources for Promotoras - 2 Yrs.	\$ 150,000	\$ 150,000		\$ 33,750		\$ 116,250
2022-1331-BOD-06-28-22	Pueblo Unido - Improving Access to Behavioral Health Education and Prevention Services - 2 Yrs.	\$ 50,000	\$ 50,000		\$ 11,250		\$ 38,750
2022-0965-BOD-06-28-22	Desert Healthcare Foundation - Behavioral Health Initiative Expansion - 3 Yrs.	\$ 2,000,000	\$ 2,000,000		\$ 2,000,000		\$ -
2022-22-15-BOD-06-28-22	Carry over of remaining Fiscal Year 2021/2022 Funds*	\$ 2,566,566	\$ 2,566,566		\$ 1,839,268		\$ 727,298
2022-1324-BOD-07-26-22	Galilee Center - Our Lady of Guadalupe Shelter - 2 Yr.			\$ 100,000		\$ 22,500	\$ 77,500
2022-1332-BOD-07-26-22	Alianza CV - Expanding and Advancing Outreach Through Increasing Capacity Development - 2 Yrs.			\$ 100,000		\$ 22,500	\$ 77,500
2022-1329-BOD-09-27-22	DPMG - Mobile Medical Unit - 3 Yrs.			\$ 500,000		\$ 50,000	\$ 450,000
2022-1350-BOD-09-27-22	JFK Memorial Foundation - Behavioral Health Awareness and Education Program - 1 Yr.			\$ 57,541		\$ 25,893	\$ 31,648
2022-1355-BOD-09-27-22	Joslyn Center - The Joslyn Wellness Center - 1 Yr.			\$ 85,000		\$ 38,250	\$ 46,750
2022-1361-BOD-09-27-22	DAP Health - DAP Health Monkeypox Virus Response - 1 Yr.			\$ 586,727		\$ -	\$ 586,727
2022-1356-BOD-10-25-22	Blood Bank of San Bernardino/Riverside Counties - Coachella Valley Therapeutic Apheresis Program - 1 Yr.			\$ 140,000		\$ -	\$ 140,000
2022-1358-BOD-10-25-22	Foundation for Palm Springs Unified School District - School-Based Wellness Center Project - 1 yr.			\$ 110,000		\$ -	\$ 110,000
2022-1362-BOD-10-25-22	Jewish Family Service of the Desert - Mental Health Counseling Services for Underserved - 2 yrs.			\$ 160,000		\$ -	\$ 160,000
TOTAL GRANTS		\$ 16,670,644	\$ 10,552,067	\$ 1,839,269	\$ 4,239,932	\$ 159,143	\$ 7,992,261
Amts available/remaining for Grant/Programs - FY 2022-23:							
Amount budgeted 2022-2023			\$ 4,000,000				
Amount granted through October 31, 2022:			\$ (1,839,269)			G/L Balance:	10/31/2022
Mini Grants:	1321; 1322; 1323; 1364		\$ (20,000)			2131	\$ 4,472,260
Financial Audits of Non-Profits; Organizational Assessments			\$ -			2281	\$ 3,520,000
Net adj - Grants not used: FY 21-22 Funds			\$ 2,566,566			Total	\$ 7,992,261
Matching external grant contributions			\$ -				\$ 0
Balance available for Grants/Programs			\$ 4,707,297				

* Value listed in Total Paid column reflects funds granted from carryover funds. Actual grant payments will be reflected under the respective grant.



DESERT HEALTHCARE
DISTRICT & FOUNDATION

Date: November 16, 2022
To: Finance & Administration Committee
Subject: Coachella Valley Accounting & Auditing – FY2022 Audit Reports – District & RPP

Staff Recommendation: Consideration to approve the FY2022 Audit reports for the Desert Healthcare District and the Retirement Protection Plan (RPP).

Background:

- Lund & Guttry LLP performed the audits of the District and Foundation entities for fiscal years 2020 and 2021.
- During fiscal year 2022, the audit department of Lund & Guttry discontinued allowing the audit staff to create their own accounting and auditing firm, Coachella Valley Accounting & Auditing, who completed the FY22 audits.
- During the fiscal year, the Foundation continued to receive ELC federal funding via Riverside County, which required an A-133 (Single Audit) for the 2nd consecutive year.
- The following audit reports were presented at the October 11, 2022 District committee meeting by Shannon Maidment, CPA, Andrea Oliveri, CPA, and Gary Dack, CPA:
 1. Communication Letter
 2. Internal Controls Report
 3. District Audit Report
 4. Retirement Protection Plan (RPP) Audit Report
 5. Desert Healthcare Foundation & Single Audit Reports (Information only).
To be approved during the Foundation’s F&A Committee meeting)
- The District and Retirement Protection Plan audits received unmodified opinions with no findings.
- The Foundation and Single Audits also received unmodified opinions.
- A finding is noted for the Foundation and identified as a significant deficiency.
- Accounting Standard was updated in 2020 (ASU 2018-08), which staff was made aware during the audit, that was not implemented.
- The update is regarding modified accounting treatment of Grants Payable and Restricted Net Assets.
- The accrual of initiatives (i.e. Behavioral Health and the Avery Trust-Air Quality funds) and the carry-over of grant budgets that are not presently awarded to external entities are no longer allowed and must be accounted for differently on the Foundation’s books. This does not affect the accounting on the District’s books.
- Specific details are noted in the Single Audit report of the Foundation.
- It is important to note, the required adjustments are accounting related and do not have financial implications

Update:

- The Committee was approving of the audit reports, excluding the significant deficiency. A lengthy discussion regarding the significant deficiency ensued.
- The Committee directed staff to work with CVAA to modify the language of the deficiency and to bring back to the Committee for review, followed by the presentation of the audit reports at the November meetings.
- The modified language was provided to the Committee members.
- Staff recommends approval of the FY2022 Audit Reports for the District and Retirement Protection Plan. Foundation reports will be approved during the Foundation Committee meeting.

Fiscal Impact:

NA



DESERT HEALTHCARE
DISTRICT & FOUNDATION

Subject: Foundation FY22 Audit Report Finding - Grants Payable and Restricted Net Assets (Significant Deficiency)

Two issues are related to the significant deficiency.

#1. For many years, both the District and Foundation accrue grants committed/awarded by the Board of Directors as an expense and a grant payable, effectively restricting the funds. This accounting practice was accurate and complied with all accounting standards.

The treatment was also appropriate for the Foundation to accrue grants received from the District for purposes of providing future grants, in a collective effort, to external organizations. Initiatives were created for homelessness, behavioral health, the Avery trust (pulmonary designated funds), etc. Grant expense and corresponding liabilities were recorded.

#2. Due to the extensive work the District and Foundation were performing regarding COVID, the grant funding to external recipients was minimal. As a result, in FY2021, the grant budgets for the District and Foundation were not fully awarded. These budget amounts would have been lost and unavailable for future grant awards. In an effort to preserve the grant funding for awards, District staff met with its auditors (Lund & Guttry, CPAs) to determine if it would be appropriate to carryover the remaining grant budget funds to the following fiscal year. The audit firm confirmed the accrual (expense and grant liability) would be appropriate for both entities.

The FY2022 annual audit was performed by Coachella Valley Accounting and Auditing (CVAA), who's staff are some of same audit staff that performed the FY20 & FY21 audits with Lund & Guttry.

It was determined during the audit that an update to an accounting standard (Accounting Standards Update No. 2018-08 (ASU 2018-08), Not-for-Profit Entities (Topic 958)), was effective for only the Foundation during the year ended June 30, 2020 and was not implemented. The updated standard indicated an expense and liability could not be created for funds until distributed or awarded to external organizations.

The updated standard required that funds established for homelessness, behavioral health, pulmonary, and carryover funds could no longer be accrued on the Foundation's books, resulting in an adjustment (\$3,445,048) at June 30, 2022.

The effect of the adjustment is a timing issue. The expense was reduced in FY22, but will be recorded as an expense and relieve unrestricted funds in the period the Board awards external grants.

Staff was unaware of the updated accounting standard in FY20. Otherwise, the appropriate accounting treatment would have been implemented in FY20. Also, the auditors of Lund & Guttry approved the accrual of the carryover grant funds in FY21, when the updated standard was effective.

It is common practice for communication from the audit firm to the client regarding any new accounting standards and updates. The auditors of Lund & Guttry did not make communication to staff in either FY20 or FY21 and approved the accrual of the carryover grant funds in FY21, during the time the updated standard was effective.

Original discussion with the auditors and District staff indicated the adjustment would be included in a footnote to the financial statements in the audit report. Later, the auditors identified the adjustment as a significant deficiency.

The auditors noted that the Foundation has always been properly tracking restrictions of funds and properly adhering to the restrictions placed by donors or granting agencies and properly accounting for the expense prior to the accounting standard update.

The facts are summarized below:

- Accounting Standards Update No. 2018-08 (ASU 2018-08), Not-for-Profit Entities (Topic 958)), was effective for the Foundation only during the year ended June 30, 2020.
- The update requires revised accounting for grants payable and restricted net assets.
- Staff was unaware of the update in 2020.
- The audit staff from Lund & Guttry who performed the FY20 & FY21 audits did not communicate the updated standard or make any adjustments effective for the two audit years.
- Some of the same audit staff from Lund & Guttry performed the FY22 audit with Coachella Valley Accounting & Auditing (CVAA)
- The updated standard was identified during the FY22 and adjustments were made accordingly.
- The adjustment is a timing issue creating under or overstated Net Assets, depending on the period.
- It is important to note the adjustment is an accounting adjustment and does not relate to any internal controls or financial/cash concerns.

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**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To the Honorable Board of Directors
Desert Healthcare District and Desert Hospital Retirement Protection Plan (the Entities)
Palm Springs, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business activities and the fiduciary funds financial statements of Desert Healthcare District and the financial statements of the Desert Hospital Retirement Protection Plan (the entities), as of and for the year ended June 30, 2022, and the related notes to the financial statements, and have issued our report thereon dated November 21, 2022.

Report Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the entities’ internal control over financial reporting (internal control) to determine the 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 entities’ internal control. Accordingly, we do not express an opinion on the effectiveness of the entities’ 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 a 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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

Report Compliance and Other Matters

As part of obtaining reasonable assurance about whether the entities' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entities' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

La Quinta, CA
November 21, 2022

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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

November 21, 2022

To the Honorable Board of Directors
Desert Healthcare District, Desert Healthcare Foundation and Desert Hospital Retirement
Protection Plan (the Entities)
Palm Springs, California

We have audited the financial statements of Desert Healthcare District, Desert Healthcare Foundation and Desert Hospital Retirement Protection Plan (“the Entities”) for the year ended June 30, 2022, and have issued our report thereon dated November 21, 2022. Professional standards require that we provide you with information about our responsibility under generally accepted auditing standards and *Government 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 January 11, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the entities are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of one existing policy was updated during 21/22 relating to donor restricted grants/contributions versus grant payables (see Note 2 to the Foundation financial statements). We noted no transactions entered into by the entities 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 District’s financial statements were:

- Accounts Receivable and Taxes Receivable – Management’s estimate of accounts receivable and taxes receivable is based on historical revenues and analysis of the collectability of individual accounts.

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- Useful Life of Capital Assets – Management’s estimate of the useful life of capital assets is based on the historical asset life for the entities capital assets and industry standards, in order to determine the value and period of time over which individual capital assets are to be depreciated.
- RPP and OPEB Plans – The funding progress and footnote disclosures are based on consultant’s estimates.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are 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.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all 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, except a restatement to prior year, increasing donor restricted net assets by \$3,419,928 and decreasing net assets without donor restriction by \$157,365 for a total restatement of total net assets of \$3,262,563, as of June 30, 2020. Additionally, a restatement to correct expenses accrued for but not incurred totaling \$237,946, combined with the implementation of ASU 2018-08 for a net decrease to net assets without donor restriction of \$55,461 for the year ended June 30, 2021.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as 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 the audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 21, 2022.

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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 Entities’ 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 Entities’ auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the information and use of the members of the Board of Directors and Management and should not be used for any other purpose.

Very truly yours,

La Quinta, CA
Coachella Valley Accounting & Auditing

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DESERT HEALTHCARE DISTRICT
PALM SPRINGS, CALIFORNIA
INDEPENDENT AUDITOR'S REPORT AND
FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

DESERT HEALTHCARE DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of the business type activities and the fiduciary fund financial statements of the Desert Healthcare District (District) as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities and the fiduciary fund financial statements of the District as of June 30, 2022, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 the District 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.

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.

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 the District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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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, including omissions, 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.

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 the District'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 the District'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.

Disclaimer of Opinion of Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 - 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2022, on our consideration of Desert Healthcare District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Desert Healthcare District’s internal control over financial reporting and compliance.

Report on Summarized Comparative Information

The financial statements of Desert Healthcare District for the year ended June 30, 2021, were audited by other auditors whose report dated October 14, 2021, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

November 21, 2022

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DESERT HEALTHCARE DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 2022 AND 2021

The Desert Healthcare District (the District) has issued its financial statements for the fiscal years ended June 30, 2022 and June 30, 2021 in conformity with the format prescribed by the provisions of Government Accounting Standards Board Statement 34 (GASB 34). This report, Management’s Discussion and Analysis, is an overview of the financial activities for the fiscal years and is an integral part of the accompanying Basic Financial Statements.

ACCOUNTING METHOD

The District’s revenues and expenses are recognized on a full accrual basis; revenues are recognized in the period incurred. All assets and liabilities associated with the activity of the District are included on the Statement of Net Position.

THE BASIC FINANCIAL STATEMENTS

The Basic Financial Statements reflect the activities of two funds. The Financial Statements include the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position (Income Statement) and Statement of Cash Flows, and the Agency Fund, which is the Desert Healthcare Foundation’s Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. Together with this report, these Financial Statements provide information about the significant events, assumptions and decisions which resulted in the financial performance reflected in those statements.

The Statement of Net Position provides information regarding the financial position of the District, including its capital assets and debts.

The Statement of Revenues, Expenses, and Changes in Net Position (Income Statement) provide information regarding the revenues received by the District, and the expenses incurred in carrying out the District’s programs.

The Statement of Cash Flows provides information regarding the sources and uses of the cash which flowed into and out of the District as a result of its operations and financing decisions.

FINANCIAL ACTIVITIES & FISCAL YEAR 2022 HIGHLIGHTS

Desert Healthcare District (“the District”) is a government entity operating under the Local Health Care District Law. The District was created by the state of California in 1948 for the purpose of providing hospital services to the residents of the District. The District was responsible for building Desert Hospital, now known as Desert Regional Medical Center. In 1997, the Board of Directors voted to lease the hospital to Tenet Health System Desert, Inc. for 30 years. Since 1997, the District provides funding and access to programs and services to residents of the healthcare district. By a vote of the public in November 2018, the District boundaries expanded to include the entire Coachella Valley, more than doubling its population and service area. The Board of Directors was increased from 5 to 7 members.

DESERT HEALTHCARE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 2022 AND 2021

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The Statement of Net Position

A condensed version of the Statements of Net Position is presented in Table A below and the changes which occurred between Fiscal Year 2022 and 2021.

	<u>Table A</u>		
	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>Change</u>
Assets:			
Cash and cash equivalents	\$ 9,116,884	\$ 10,193,578	\$ (1,076,694)
Investments	56,557,955	53,642,124	2,915,831
Capital assets, net	11,518,194	11,454,569	63,625
Net Pension Asset	1,009,246	1,807,032	(797,786)
All Other Assets	366,284	424,500	(58,216)
Total Assets	\$ 78,568,563	\$ 77,521,803	\$ 1,046,760
Deferred Outflows:			
GASB 68 Reporting for Pension Plans	\$ 836,699	\$ 494,388	\$ 342,311
Total Deferred Outflows	\$ 836,699	\$ 494,388	\$ 342,311
Liabilities:			
Grants payable	\$ 10,552,067	\$ 9,501,626	\$ 1,050,441
All Other Liabilities	601,933	429,905	172,028
Total Liabilities	\$ 11,154,000	\$ 9,931,531	\$ 1,222,469
Deferred Inflows:			
GASB 68 Reporting for Pension Plans	\$ 492,802	\$ 675,732	\$ (182,930)
Total Deferred Inflows	\$ 492,802	\$ 675,732	\$ (182,930)
Net Assets:			
Net investment in capital assets	11,518,194	\$ 11,454,569	\$ 63,625
Unrestricted	56,240,266	55,954,359	285,907
Total Net Position	\$ 67,758,460	\$ 67,408,928	\$ 349,532

The \$349,532 increase in Total Net Position is due to the net income of \$349,532 for the current fiscal year ended June 30, 2022. This compares to a net income of \$7,495,770 for the fiscal year ended June 30, 2021. The decrease is primarily due to a net combination of increased Property Tax Revenue of \$710,481, decreased Investment Revenue of \$1,828,510, and increased RPP Pension Expense of \$5,668,949 resulting from a change in assumptions in FY2021. The \$1,076,694 decrease in Cash and cash equivalents and \$2,915,831 increase in Investments is due primarily to an increase in property tax receipts and a decrease in annual disbursements. The \$797,786 decrease in Net Pension Assets, \$342,311 increase in Deferred Outflows, and \$182,930 decrease in Deferred Inflows are due to the current GASB 68 valuation report for the Retirement Protection Plan. The \$58,216 decrease in All Other Assets is due primarily to a net reduction in receivables. The \$1,050,441 increase in Grants Payable is due primarily to less grant disbursements than new accrued grants. The \$172,028 increase in All Other Liabilities is due primarily to a net increase in various liabilities.

DESERT HEALTHCARE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 2022 AND 2021

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The Statements of Revenues, Expenses, and Change in Net Position

The District's business is comprised of two major segments:

- Revenues – The District receives from the County of Riverside an apportionment of the property taxes paid by the residents of the District. Additional revenues include, the investment income the District receives from the Facility Replacement Fund (Reserve), which was established to provide working capital in the event that the lease with Tenet Health System Desert, Inc. is terminated prematurely or for future seismic retrofit needs; and rental income from the Las Palmas Medical Plaza which is owned and managed by the District.

- Grant Program – The District administers a grant and preventative health initiatives programs that donate a significant portion of the District's annual property tax revenues to health-related programs serving residents of Desert Hot Springs, Thousand Palms, Palm Springs, Cathedral City, Rancho Mirage, Palm Desert, Indian Wells, La Quinta, Indio, Coachella, Thermal, Mecca, North Shore, and unincorporated areas of the County that are within the District's boundaries.

Table B, below, is a condensed version of the Statements of Revenues, Expenses, and Changes in Net Position; it summarizes the District's revenue and expenses, and compares Fiscal Year 2022 results to Fiscal Year 2021.

Table B

	<u>6/30/22</u>	<u>6/30/21</u>	<u>Change</u>
Revenue:			
Property Tax Revenue	\$ 8,471,194	\$ 7,760,713	\$ 710,481
Rental income	1,339,960	1,246,013	93,947
All other income	232,189	79,034	153,155
Total Revenue	<u>\$ 10,043,343</u>	<u>\$ 9,085,760</u>	<u>\$ 957,583</u>
Expenses:			
Grants program	\$ 4,024,467	\$ 4,048,655	\$ (24,188)
Administrative Expense	3,568,209	2,993,310	574,899
Total Expense	<u>\$ 7,592,676</u>	<u>\$ 7,041,965</u>	<u>\$ 550,711</u>
Nonoperating Income(Expenses)	<u>\$ (2,101,135)</u>	<u>\$ 5,451,975</u>	<u>(7,553,110)</u>
Net Income (Loss)	<u>\$ 349,533</u>	<u>\$ 7,495,770</u>	<u>\$ (7,146,237)</u>

DESERT HEALTHCARE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 2022 AND 2021

DRAFT

Revenue

Property taxes are the District's primary source of operating revenues. The property tax revenue for the fiscal year ended June 30, 2022 was \$8,471,194, which was an increase of \$710,481 from the fiscal year ended June 30, 2021.

Rental income of \$1,339,960 for the fiscal year ended June 30, 2022 was \$93,947 higher than the fiscal year ended June 30, 2021.

All other income for the fiscal year ended June 30, 2022 increased \$153,176 compared to the fiscal year ended June 30, 2021. The increase was due primarily to an external contribution received of \$175,000.

Expenses

Grant Program expense for the fiscal year ended June 30, 2022 decreased by \$24,188 compared to the fiscal year ended June 30, 2021. This is due primarily to a small decrease in approved grants. Grants are recorded in the fiscal year that they are approved by the District's Board of Directors.

Administrative expenses for the fiscal year ended June 30, 2022 increased \$574,899 from the fiscal year ended June 30, 2021. The increase is due to various expenses including higher Professional Services of \$501,306 and Las Palmas Medical Plaza expenses of \$111,494. Nonoperating Income(Expenses) for the fiscal year ended June 30, 2022 varies by \$7,553,110 from fiscal year ended June 30, 2021. The variance is due to a \$1,828,510 decrease in investment income and a \$5,703,800 variance in RPP pension expense.

CAPITAL ASSETS

At June 30, 2022, the District had \$23,673,762 in capital assets and \$12,155,568 accumulated depreciation, resulting in \$11,518,194 net capital assets. At June 30, 2021, the District had \$22,949,667 in capital assets and \$11,495,098 accumulated depreciation, resulting in \$11,454,569 net capital assets.

A summary of the activity and balances in capital assets is presented in Table C:

Table C

	Balance 6/30/20	Net Additions	Net Retirements	Balance 6/30/21	Net Additions	Net Retirements	Balance 6/30/22
Cost	\$ 22,435,784	\$ 644,197	\$ (130,314)	\$ 22,949,667	\$ 1,309,311	\$ (585,216)	\$ 23,673,762
Acc. Depreciation	(10,971,261)	(632,127)	108,290	(11,495,098)	(675,678)	15,208	(12,155,568)
Capital Assets, Net	\$ 11,464,523	\$ 12,070	\$ (22,024)	\$ 11,454,569	\$ 633,633	\$ (570,008)	\$ 11,518,194

DESERT HEALTHCARE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 2022 AND 2021

DRAFT

DEBT ADMINISTRATION

The District has no outstanding debt.

ECONOMIC OUTLOOK AND MAJOR INITIATIVES

In November 2018, the residents of the Eastern Coachella Valley voted to expand the Desert Healthcare District to all cities and unincorporated areas of the Coachella Valley. The expansion more than doubled the population and service area. However, the expansion did not include a funding source. The Desert Healthcare District and Foundation continue to seek resources in its efforts to equitably connect District residents to programs and services to meet their healthcare needs.

The Fiscal Year 2023 budgets for the District and the Foundation reflect revenues of \$8,712,988 and \$2,317,000, respectively, and operating expenses of \$8,710,682 and \$2,440,965, respectively. Capital expenditures are budgeted at \$565,000. During the fiscal year ended June 30, 2022, the District and Foundation awarded \$3,284,646 and \$575,000, respectively, in new grants and distributed grants in the amount of \$2,943,305 and 1,186,638, respectively. Projected new grants to be awarded for the fiscal year 2022–2023 amount to \$6,250,000 and \$1,780,000, respectively, and distributions for grants could possibly total \$14,418,784 and 6,087,043, respectively, due to the existing grant liability as of June 30, 2022 and the projected grant awards.

As a result of the COVID-19 pandemic, the Foundation continues to work with a select group of community-based organizations to aid in the education, testing and vaccination efforts related to the virus. Through the County of Riverside, federal funds from the CARES Act and Epidemiology and Laboratory Capacity (ELC) Enhancing Detection funding totals \$3,150,000 to date. The Foundation has applied for additional funding of \$1,200,000.

The District has established a reserve fund of approximately \$62,000,000 to cover grant liabilities, hospital operating expenses for a short period should the lease with Tenet Health System Desert, Inc. terminate prior to May 30, 2027, and seismic or other related facilities costs.

The Hospital is required to meet SB 1953 and OSHPD regulations for seismic retrofit standards by 2030. The District conducted an assessment of the seismic retrofit needs and costs, with an estimate of \$222,000,000, and is reviewing options for completion of the seismic upgrades.

Termination Assets are assets constructed or installed by Tenet Health System in the hospital during the lease period with a net book value or fair market value at the termination of the lease. In accordance with the 1997 Lease, the District is required to purchase the Termination Assets at the lesser of net book value or fair market value. The 1997 Lease provides that the purchase can be satisfied with a 5-year promissory note and also provides the option of a possible extension of the lease if the Termination Assets exceed \$10,000,000.

CONTACTING THE DISTRICT'S MANAGEMENT

Desert Healthcare District
1140 N. Indian Canyon Drive
Palm Springs, CA 92262
(760) 323-6113 Office
(760) 323-6825 Fax
www.dhcd.org Website

DESERT HEALTHCARE DISTRICT

STATEMENTS OF NET POSITION

JUNE 30, 2022 AND 2021

DRAFT

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 9,116,884	\$ 10,193,578
Investments	12,984,830	22,020,034
Accounts receivable, net	253,350	343,748
Prepaid items and deposits	112,934	80,753
Total current assets	<u>22,467,998</u>	<u>32,638,113</u>
NON-CURRENT ASSETS		
Investments	43,573,125	31,622,090
Capital assets, net	11,518,194	11,454,569
Net pension asset	1,009,246	1,807,032
Total non-current assets	<u>56,100,565</u>	<u>44,883,691</u>
DEFERRED OUTFLOWS		
Deferred Outflows of Resources		
Pension plan	836,699	494,388
Total deferred outflows of resources	<u>836,699</u>	<u>494,388</u>
TOTAL ASSETS	<u>79,405,262</u>	<u>78,016,192</u>
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	441,775	263,325
Grants payable	7,032,067	4,511,626
Compensated absences	80,168	82,975
Disability claims, reserve, current portion	14,803	14,803
Total current liabilities	<u>7,568,813</u>	<u>4,872,729</u>
NON-CURRENT LIABILITIES		
Grants payable	3,520,000	4,990,000
Long-term disability claims reserve	2,982	16,282
Deposits payable	62,205	52,520
Total non-current liabilities	<u>3,585,187</u>	<u>5,058,802</u>
DEFERRED INFLOWS		
Deferred Inflows of Resources		
Pension plan	492,802	675,732
Total deferred inflows of resources	<u>492,802</u>	<u>675,732</u>
TOTAL LIABILITIES	<u>11,646,802</u>	<u>10,607,263</u>
<u>NET POSITION</u>		
Net investment in capital assets	11,518,194	11,454,569
Unrestricted	56,240,266	55,954,359
TOTAL NET POSITION	<u>\$ 67,758,460</u>	<u>\$ 67,408,928</u>

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

DESERT HEALTHCARE DISTRICT

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

DRAFT

	<u>2022</u>	<u>2021</u>
OPERATING REVENUES		
Property taxes	\$ 8,471,194	\$ 7,760,713
Rental income	1,339,960	1,246,013
Other income	232,189	79,034
Total revenues	<u>10,043,343</u>	<u>9,085,760</u>
OPERATING EXPENSES		
Grant allocations	4,024,467	4,048,655
General expenses	774,950	274,345
Rental expenses	1,107,396	995,974
Salaries and benefits	1,161,703	1,040,389
Legal fees	87,765	147,981
Depreciation	193,105	194,160
Election fees	-	93,494
Other	243,290	246,967
Total operating expenses	<u>7,592,676</u>	<u>7,041,965</u>
Income from operations	<u>2,450,667</u>	<u>2,043,795</u>
NONOPERATING INCOME (EXPENSES)		
Investment income (loss)	(1,741,167)	87,343
Investment expenses	(87,423)	(66,623)
Retirement plan / benefits change (see Note 14 - changes in assumptions 2020/2021)	<u>(272,545)</u>	<u>5,431,255</u>
Total nonoperating income (loss)	<u>(2,101,135)</u>	<u>5,451,975</u>
Increase in net position	349,532	7,495,770
NET POSITION		
Beginning of year	<u>67,408,928</u>	<u>59,913,158</u>
End of year	<u>\$ 67,758,460</u>	<u>\$ 67,408,928</u>

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

DESERT HEALTHCARE DISTRICT

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

DRAFT

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from County	\$ 8,452,887	\$ 7,782,929
Cash received from grantor and donors	209,733	44,035
Cash received from rentals and other operating revenues	1,411,209	1,246,660
Cash payments to suppliers for goods and services	(1,521,717)	(1,322,268)
Cash payments to employees for services and benefits	(1,171,055)	(977,881)
Cash payments to grantee	(2,974,026)	(4,295,387)
Net cash provided by operating activities	<u>4,407,031</u>	<u>2,478,088</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(739,303)	(644,197)
Net cash used by capital and related financing activities	<u>(739,303)</u>	<u>(644,197)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investment sales (purchases) - net	(4,744,422)	746,141
Net cash provided (used) by investing activities	<u>(4,744,422)</u>	<u>746,141</u>
Net increase (decrease) in cash	<u>(1,076,694)</u>	<u>2,580,032</u>
CASH AND CASH EQUIVALENTS		
BEGINNING OF YEAR	<u>10,193,578</u>	<u>7,613,546</u>
END OF YEAR	<u>\$ 9,116,884</u>	<u>\$ 10,193,578</u>

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

DESERT HEALTHCARE DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

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-Continued-

	2022	2021
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Income from operations	\$ 2,450,667	\$ 2,043,795
Adjustments to reconciliation of income from operations to net cash provided by operating activities:		
Depreciation	675,678	632,127
Changes in assets and liabilities:		
(Increase) decrease in assets		
Accounts receivables	90,398	42,845
Prepaid items and deposits	(32,181)	(10,217)
(Decrease) increase in liabilities		
Accounts payable and accrued liabilities	178,450	3,448
Grants payable	1,050,441	(246,732)
Deposits payable	9,685	(9,442)
Compensated absences	(2,807)	34,791
Long-term disability claims reserve	(13,300)	(12,527)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 4,407,031	\$ 2,478,088

STATEMENT OF FIDUCIARY NET POSITION
DESERT HEALTHCARE FOUNDATION
JUNE 30, 2022

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WITH SUMMARIZED COMPARATIVE TOTALS FOR JUNE 30, 2021

	Totals	
	2022	2021 (Memorandum Only) <i>Restated</i>
<u>ASSETS</u>		
ASSETS		
Cash and cash equivalents	\$ 516,636	\$ 1,348,623
Grants receivable	2,217,209	1,122,500
Prepaid expenses	3,000	2,500
Accrued interest and dividend receivable	-	17,221
Total current assets	2,736,845	2,490,844
OTHER ASSETS		
Contributions receivable - charitable remainder trusts	188,389	200,809
Investments	4,181,156	5,617,879
Total other assets	4,369,545	5,818,688
TOTAL ASSETS	\$ 7,106,390	\$ 8,309,532
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Current liabilities		
Accounts payable and accrued payroll	\$ 12,973	\$ 144,954
Grants payable - current	795,028	2,010,180
Total current liabilities	808,001	2,155,134
Long-term liabilities		
Grants payable - long-term	200,000	249,356
Total long-term liabilities	200,000	249,356
TOTAL LIABILITIES	1,008,001	2,404,490
NET ASSETS		
Without donor restrictions	399,057	1,683,904
Without donor restrictions - Board designated	1,544,156	1,039,156
With donor restrictions	4,155,176	3,181,982
Total net assets	6,098,389	5,905,042
TOTAL LIABILITIES AND NET ASSETS	\$ 7,106,390	\$ 8,309,532

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

DESERT HEALTHCARE DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
DESERT HEALTHCARE FOUNDATION
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

DRAFT

	<u>2022</u>	2021 (Memorandum Only) <i>Restated</i>
ADDITIONS		
Contributions	\$ 40,275	\$ 189,655
Grants	2,168,605	3,724,999
Bequests	57,080	56,364
Interest and dividends	138,889	185,407
Investment gains	(498,074)	477,291
Change in value - charitable trusts	<u>(12,420)</u>	<u>13,511</u>
 TOTAL SUPPORT AND REVENUE	 <u>1,894,355</u>	 <u>4,647,227</u>
 DEDUCTIONS		
Grants and services	1,079,948	3,150,858
Management and general	<u>565,599</u>	<u>834,399</u>
 TOTAL EXPENSES	 <u>1,645,547</u>	 <u>3,985,257</u>
 INCREASE IN NET POSITION	 248,808	 661,970
 NET POSITION, BEGINNING OF YEAR as previously stated	 <u>5,905,042</u>	 <u>1,980,509</u>
 PRIOR YEAR RESTATEMENT	 <u>(55,461)</u>	 <u>3,262,563</u>
 NET ASSETS, BEGINNING OF YEAR, restated	 <u>5,849,581</u>	 <u>5,243,072</u>
 NET POSITION, END OF YEAR	 <u>\$ 6,098,389</u>	 <u>\$ 5,905,042</u>

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

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Desert Healthcare District (District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Boards (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Financial Reporting Entity

The District was organized on December 14, 1948, by a Resolution adopted by the Board of Supervisors, County of Riverside, under the provisions of The Local Hospital District Law (Sections 32000-32314 of the California Health and Safety Code) to provide and operate health care facilities within the area known as the Western Coachella Valley.

Each of the seven members of the District's Board of Directors holds office for a four-year term, which is staggered against the other terms. Elections are by popular vote of the constituents within the designated zone boundaries.

Effective June 29, 1986, the District transferred control of Desert Hospital and all related assets and liabilities to Desert Health Systems, Inc. (System) under the terms of a master lease agreement. The purpose of the transfer was to permit the hospital to operate more competitively and efficiently by becoming a private not-for-profit entity. On December 8, 1988, the System merged with Desert Hospital Corporation (Corporation), the surviving entity. This transaction had no impact with respect to the District.

Until June 1, 1997, the District served as a pass-through entity between the Corporation and the trustee of Hospital Revenue Certificates of Participation issued in 1990 and 1992 and as a recipient of District tax revenues. The District annually pledged the tax revenues it received to the Corporation to be utilized for general corporate purposes. Historically, tax revenues were used to support capital improvement programs.

Effective May 30, 1997, the District entered into a 30-year lease of Desert Hospital with Tenet Health System Desert, Inc. (Tenet). Terms of the lease included payment by Tenet of the Hospital Revenue Certificates of Participation issued in 1990 and 1992 (approximately \$80,000,000) as prepaid rent. Tenet also paid the District \$15,400,000 cash, representing additional prepaid rent. (See Note 2)

As a result of AB2414 and a vote of the residents of the Eastern Coachella Valley in November 2018, the District expanded its boundaries and service area to encompass the broader Coachella Valley. The District has and continues to assess the healthcare needs of the Coachella Valley. The District makes grants to healthcare providers who provide needed healthcare services.

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Financial Reporting Entity – Continued

As required by GAAP, these financial statements present the District and its component unit entity for which the District is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the District’s operations and so data from these units are combined with data of the District. Component units should be included in the reporting entity financial statement using blending method if either of the following criteria are met:

- The component unit’s governing body is the same as the governing body of the District
- The component unit provides services entirely, or almost entirely, to the District or otherwise exclusively, or almost exclusively, benefits the District even though it does not provide services directly to it.

Included within the reporting entity as a blended component unit is the following:

Desert Healthcare Foundation (Foundation)

The Foundation is a health and welfare organization created to identify the health care needs of the Desert Healthcare District and to work toward alleviating those needs through various programs and services. 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 assets values at various times.

The foundation’s condensed financial statements are included in the these financial statements as a Private-Purpose Trust Fund fiduciary fund type.

Complete financial statements of the Foundation can be requested from the District, 1140 North Indian Canyon Drive, Palm Springs, California 92262.

Basis of Accounting and Measurement Focus

Business-Type Activities

The basic financial statements include a Statement of Net Assets, Statement of Activities and Changes in Net Assets, and a Statement of Cash Flows. These statements present summaries of business-type activities for the District.

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

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JUNE 30, 2022 AND 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Accounting and Measurement Focus – Continued

These basic financial statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the District’s assets and liabilities, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Net Assets presents changes in net assets for the year. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. All proprietary funds are accounted for on a cost of services of “*economic resources*” measurement focus. This means that all assets and liabilities (whether current or noncurrent) associated with the activity are included on the Statement of Net Assets. Their reported fund equity presents total net assets. The Statement of Revenues, Expenses and Changes in Net Assets present increases (revenues) and decreases (expenses) in total net assets. The Statement of Cash Flows is presented with cash, cash equivalents and investments.

Fiduciary Fund Financial Statements

Fiduciary Fund Financial Statements include a Statement of Net Position and a Statement of Changes in Fiduciary Net Position. The District’s Fiduciary fund includes Private Purpose Trust Funds, which account for resources that are being held for the benefits of the District. The Fiduciary fund is accounted for using the accrual basis of accounting.

Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Foundation’s policy is to apply restricted net assets first.

Cash, Cash Equivalent and Investments

All cash and cash equivalents are considered to be demand deposits, money market funds and short-term investments with original maturities of three months or less from the date of acquisition. Investments are stated at fair value. Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

Prepaid Items and Deposits

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital Assets

Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Buildings and Improvements	40 – 50 years
Furniture and Equipment	3 – 7 years

Compensated Absences

Employees have vested interests in varying levels of vacation and sick leave based on their length of employment. Sick leave is payable only when an employee is unable to work due to personal or family illness. Unused sick leave does not vest and is forfeited upon termination.

Property Tax

The County of Riverside (the County) bills and collects property taxes on behalf of numerous special districts and incorporated cities, including the District. The District's collections of current year's taxes are received through periodic apportionments from the County.

The County's tax calendar is from July 1 to June 30. Property taxes attach as a lien on property on January 1. Taxes are levied on July 1 and are payable in two equal installments on November 1 and February 1, and become delinquent after December 10 and April 10, respectively.

Since the passage of California's Proposition 13, beginning with fiscal year 1978-79 general property taxes are based either on a flat 1% rate applied to the 1975-1976 full value of the property or on 1% of the sales price of any property sold or of the cost of any new construction after the 1975-1976 valuation. Taxable values on properties (exclusive of increases related to sales and new construction) can rise at a maximum of 2% per year.

The Proposition 13 limitation on general property taxes does not apply to taxes levied to pay the debt service on any indebtedness approved by the voters prior to June 6, 1978 (the date of passage of Proposition 13).

Property tax revenue is recognized in the fiscal year for which the taxes have been levied. Property taxes received after this date are subject to accrual and considered available as a resource that can be used to finance the current year operations of the District.

Income Taxes

The District is a political subdivision of the State of California and, as such, is exempt from federal and state income taxes.

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Use of Estimates

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

Fair Value Measurement

The District and Foundation apply 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 in accordance with GASB Statement Nos. 31 and 40.

Net Assets

Net Investment in Capital Assets – this amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position – This amount is restricted by external creditors, grantors, contributors, or laws of regulations of other governments.

Unrestricted Net Position – This amount is all net assets that do not meet the definition of “net investment in capital assets,” or “restricted net position.”

Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 65, the District recognizes deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. Refer to Notes 9 and 14 for a detailed listing of the deferred outflow of resources that the District has recognized.

Pursuant to GASB Statement No. 65, the District recognizes deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of fund balance/net position by the government that is applicable to a future reporting period. Refer to Note 14 for a detailed listing of the deferred inflow of resources that the District has recognized.

2. LEASE AGREEMENT – TENET HEALTH SYSTEM DESERT, INC.

The District, as described in the Summary of Significant Accounting Policies, entered into a thirty (30) year lease agreement for Desert Regional Medical Center (Hospital) with Tenet Health System Desert, Inc. (Tenet). In the event that Tenet or the District decide to terminate the lease, the District would be responsible for operating the Hospital which would require upfront operating capital of approximately \$125,000,000 to maintain the operations without interruption during the transition period. The District, recognizing this obligation, established an investment fund, with a net value of \$62,580,237 as of June 30, 2022, identified as the Facility Replacement Fund.

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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3. CASH AND INVESTMENTS

The cash and investments are classified in the financial statements as shown below:

	June 30, 2022	June 30, 2021
District's Statement of Net Position:		
Cash and cash equivalents	\$ 9,116,884	\$ 10,193,578
Investments	56,557,955	53,642,124
Fiduciary Statement of Net Position:		
Cash and cash equivalents	516,636	1,348,623
Investments	4,181,156	5,617,879
Total Cash and Investments	\$ 70,372,631	\$ 70,802,204

Cash and Investments consist of the following:

	June 30, 2022	June 30, 2021
Cash on Hand	\$ 700	\$ 700
Cash in Bank-District	3,094,102	2,185,435
Cash in Bank-Foundation	396,370	1,182,817
Money Market Funds	6,142,348	8,173,249
Investments	60,739,111	59,260,003
Total Cash and Investments	\$ 70,372,631	\$ 70,802,204

Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the Desert Healthcare District (District) by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

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JUNE 30, 2022 AND 2021

3. CASH AND INVESTMENTS – Continued

Investments Authorized by the California Government Code and the District’s Investment Policy (Continued)

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	5 years	None	None
Local Agency Investment Fund (State Pool)	N/A	None	\$65 million
U.S. Treasury Obligations	5 years	None	None
U.S. Government Agency Issues	5 years	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Repurchase Agreements	1 year	None	None
Bankers’ Acceptance (must be dollar denominated)	180 days	40%	30%
Commercial Paper – Pooled Funds	270 days	40%	10%
Commercial Paper – Non-Pooled Funds	270 days	25%	10%
Negotiable Time Certificates of Deposit	5 years	30%	None
Non-negotiable Time Certificates of Deposit	5 years	None	None
State of California and Local Agency Obligations	5 years	None	None
Placement Service Certificates of Deposit	5 years	30%	None
Medium-Term Notes	5 years	30%	None
Mutual Funds and Money Market Mutual Funds	N/A	20%	None

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investments Funds	N/A	None	None
Joint Powers Authority Pool	N/A	None	None
Voluntary Investment Program Fund	N/A	None	None
Supranational Obligations	5 years	30%	None

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

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JUNE 30, 2022 AND 2021

3. CASH AND INVESTMENTS - Continued

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in the market interest rates.

One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming closer to maturity evenly over time as necessary to provide the cash flow and liquidity needed for distributions.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

As of June 30, 2022

Investment Type	Carrying Amount	Remaining Maturity (in Months)				
		12 Months Or Less	13 to 24 Months	25 – 36 Months	37 – 48 Months	More than 49 Months
Corporate Bonds*	\$ 1,264,440	\$ 136,519	\$ 153,149	\$ 232,498	\$ 92,783	\$ 649,491
U.S. Government Agencies	2,000,500	2,000,500	-	-	-	-
U.S. Government Agencies*	320,952	-	-	-	-	320,952
U.S. Treasury Notes	54,557,455	10,984,330	6,325,095	37,248,030	-	118,489
U.S. Treasury Notes*	242,659	-	-	124,170	-	-
Domestic Common Stock*	2,353,105	2,353,105	-	-	-	-
Total	<u>\$60,739,111</u>	<u>\$15,474,454</u>	<u>\$ 6,478,244</u>	<u>\$37,604,698</u>	<u>\$ 92,783</u>	<u>\$ 1,088,932</u>

*Held by Foundation

As of June 30, 2021

Investment Type	Carrying Amount	Remaining Maturity (in Months)				
		12 Months Or Less	13 to 24 Months	25 – 36 Months	37 – 48 Months	More than 49 Months
Corporate Bonds*	\$ 1,715,982	\$ 98,065	\$ 183,865	\$ 181,029	\$ 284,063	\$ 968,960
U.S. Government Agencies	9,201,090	7,093,980	2,107,110	-	-	-
U.S. Government Agencies*	500,904	-	-	-	-	500,904
U.S. Treasury Notes	44,441,034	14,926,054	11,311,030	5,058,170	13,145,780	-
U.S. Treasury Notes*	635,020	49,291	160,869	41,988	139,105	243,767
Mutual Funds-Open Ended*	269,243	269,243	-	-	-	-
Domestic Common Stock*	2,496,730	2,496,730	-	-	-	-
Total	<u>\$59,260,003</u>	<u>\$24,933,363</u>	<u>\$13,762,874</u>	<u>\$ 5,281,187</u>	<u>\$13,568,948</u>	<u>\$ 1,713,631</u>

*Held by Foundation

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

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JUNE 30, 2022 AND 2021

3. CASH AND INVESTMENTS - Continued

Disclosure Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of rating by a national recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code and the District's investment policy, and the actual rating as of the fiscal year end for each investment type.

As of June 30, 2022

Investment Type	Carrying Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End			
				AAA/AA	A	BBB/BB	Not Rated
Corporate Bonds*	\$ 1,264,440	N/A	\$ -	\$ 174,717	\$ 510,169	\$ 579,554	\$ -
U.S. Government Agencies	2,000,500	N/A	-	2,000,500	-	-	-
U.S. Government Agencies*	320,952	N/A	-	320,952	-	-	-
U.S. Treasury Notes	54,557,455	N/A	54,557,455	-	-	-	-
U.S. Treasury Notes*	242,659	N/A	242,659	-	-	-	-
Domestic Common Stock*	2,353,105	N/A	-	-	-	-	2,353,105
Total	\$60,739,111		\$54,800,114	\$ 2,496,169	\$ 510,169	\$ 579,554	\$ 2,353,105

*Held by Foundation. No Foundation policy establishing minimum legal rating

As of June 30, 2021

Investment Type	Carrying Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End			
				AAA/AA	A	BBB/BB	Not Rated
Corporate Bonds*	\$ 1,715,982	N/A	\$ -	\$ 189,027	\$ 599,214	\$ 927,741	\$ -
U.S. Government Agencies	9,201,090	N/A	-	9,201,090	-	-	-
U.S. Government Agencies*	500,904	N/A	-	500,904	-	-	-
U.S. Treasury Notes	44,441,034	N/A	44,441,034	-	-	-	-
U.S. Treasury Notes*	635,020	N/A	635,020	-	-	-	-
Mutual Funds-Open Ended*	269,243	N/A	-	-	-	-	269,243
Domestic Common Stock*	2,496,730	N/A	-	-	-	-	2,496,730
Total	\$59,260,003		\$45,076,054	\$ 9,891,021	\$ 599,214	\$ 927,741	\$ 2,765,973

*Held by Foundation. No Foundation policy establishing minimum legal rating

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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3. CASH AND INVESTMENTS - Continued

Concentration of Credit Risk

The investment policy of the District contains limitations on the amount that can be invested in any one issuer.

There are no investments at June 30, 2022 that represent 5% or more of total District investments (other than U.S. Treasury Notes).

There are three investments at June 30, 2021 that represent 5% or more of total District investments (other than U.S. Treasury Notes). These investments are:

- Federal Home Loan Banks: \$3,090,290 with various maturity dates through June 30, 2023, and interest rates of 1.875-3.25%.
- Federal Home Loan Mortgage Corporation: \$3,073,670 with various maturity dates through June 30, 2023, and interest rates of 2.375-2.750%.
- Federal National Mortgage Association: \$3,037,130 with various maturity dates through June 30, 2022, and interest rates of 1.875-2.000%.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits:

The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2022 and 2021, the District's deposits with financial institutions in excess of federal depository insurance limits are legally required by the California Government Code, to collateralize the District's deposits as noted above.

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

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JUNE 30, 2022 AND 2021

3. CASH AND INVESTMENTS - Continued

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. These principles recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Investments reflect prices quoted in active markets;
- Level 2: Investments reflect prices that are based on similar observable asset either directly or indirectly, which may include inputs in markets that not considered active;
- Level 3: Investments reflect prices based upon unobservable sources.

Custodial Credit Risk

The District has the following recurring fair value measurements;
 At June 30, 2022 and 2021, the District's cash, cash equivalents, and investments classified by risk category consisted of the following:

As of June 30, 2022

	Total	Fair Value Measurement Using		
		Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Investments by fair value</u>				
Debt Securities				
Corporate Bonds	\$ 1,264,440	\$ 1,264,440	\$ -	\$ -
U.S. Government Agencies	2,321,452	2,321,452	-	-
U.S. Treasury Notes	54,800,114	54,800,114	-	-
Domestic Common Stock	2,353,105	2,353,105	-	-
	<u>\$ 60,739,111</u>	<u>\$ 60,739,111</u>	<u>\$ -</u>	<u>\$ -</u>

As of June 30, 2021

	Total	Fair Value Measurement Using		
		Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Investments by fair value</u>				
Debt Securities				
Corporate Bonds	\$ 1,715,982	\$ 1,715,982	\$ -	\$ -
U.S. Government Agencies	9,701,994	9,701,994	-	-
U.S. Treasury Notes	45,076,054	45,076,054	-	-
Mutual Funds-Open Ended	269,243	269,243	-	-
Domestic Common Stock	2,490,730	2,490,730	-	-
	<u>\$ 59,260,003</u>	<u>\$ 59,260,003</u>	<u>\$ -</u>	<u>\$ -</u>

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

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JUNE 30, 2022 AND 2021

4. CAPITAL ASSETS

Business-Type Activities

At June 30, 2022 and 2021 the capital assets of the business-type activities consisted of the following:

<u>June 30, 2022</u>	<u>Balance</u> <u>July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2022</u>
Non-depreciable assets:				
Land	\$ 3,859,100	\$ -	\$ -	\$ 3,859,100
Construction in progress	<u>729,813</u>	<u>562,563</u>	<u>(570,008)</u>	<u>722,368</u>
Total non-depreciable assets	<u>4,588,913</u>	<u>562,563</u>	<u>(570,008)</u>	<u>4,581,468</u>
Depreciable assets:				
Building and improvements	18,247,013	735,961	(14,501)	18,968,473
Furniture and equipment	<u>113,742</u>	<u>10,787</u>	<u>(707)</u>	<u>123,822</u>
Total depreciable assets	18,360,754	746,748	(15,208)	19,092,295
Less accumulated depreciation	<u>(11,495,098)</u>	<u>(675,678)</u>	<u>15,208</u>	<u>(12,155,568)</u>
Total depreciable assets, net	<u>6,865,656</u>	<u>71,070</u>	<u>-</u>	<u>6,936,726</u>
Total capital assets, net	<u>\$11,454,569</u>	<u>\$ 633,633</u>	<u>\$ (570,008)</u>	<u>\$ 11,518,194</u>

Depreciation expense consists of operating expense depreciation of \$193,105 and rental expense depreciation of \$482,573.

<u>June 30, 2021</u>	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2021</u>
Non-depreciable assets:				
Land	\$ 3,859,100	\$ -	\$ -	\$ 3,859,100
Construction in progress	<u>188,254</u>	<u>563,583</u>	<u>(22,024)</u>	<u>729,813</u>
Total non-depreciable assets	<u>4,047,354</u>	<u>563,583</u>	<u>(22,024)</u>	<u>4,588,913</u>
Depreciable assets:				
Building and improvements	18,192,372	77,676	(23,036)	18,247,013
Furniture and equipment	<u>196,058</u>	<u>2,938</u>	<u>(85,254)</u>	<u>113,742</u>
Total depreciable assets	18,388,430	80,614	(108,290)	18,360,754
Less accumulated depreciation	<u>(10,971,261)</u>	<u>(632,127)</u>	<u>108,290</u>	<u>(11,495,098)</u>
Total depreciable assets, net	<u>7,417,169</u>	<u>(551,513)</u>	<u>-</u>	<u>6,865,656</u>
Total capital assets, net	<u>\$11,464,523</u>	<u>\$ 12,070</u>	<u>\$ (22,024)</u>	<u>\$ 11,454,569</u>

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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4. CAPITAL ASSETS - Continued

Depreciation expense consists of operating expense depreciation of \$194,160 and rental expense depreciation of \$437,967.

5. RESTRICTED NET POSITION

The District had \$0 of restricted net position at June 30, 2022 and 2021.

6. SPLIT INTEREST AGREEMENTS - FOUNDATION

At June 30, 2022 and 2021, the split interest agreements of the fiduciary fund consisted of the following:

	<u>2022</u>	<u>2021</u>
Contribution receivable – charitable remainder trusts	\$ <u>188,389</u>	\$ <u>200,809</u>

Charitable Reminder Trusts

The Foundation was named beneficiary to two additional charitable remainder unitrusts (whose trustees are someone other than the Foundation), all of which are recorded at fair market value. The 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 for each year June 30, 2022 and 2021.

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, 2022 and 2021 was \$62,367 and \$74,787, respectively.

7. GRANTS

The District has granted awards to various healthcare providers that provide needed healthcare services. Awards not fully funded in the current fiscal year are carried over to the subsequent fiscal year. At June 30, 2022 and 2021, the total grant awards payable were \$10,552,067 and \$9,501,626, respectively. Total grants expense for the years ended June 30, 2022 and 2021 amounted to \$4,024,467 and \$4,048,655, respectively.

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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7. GRANTS - Continued

The Foundation has granted awards to various healthcare providers that provide needed healthcare services. At June 30, 2022 and 2021 the total grant awards payable were \$995,028 and \$2,259,536, respectively. Total grants and services expense for the years ended June 30, 2022 and 2021 amounted to \$1,079,948 and \$3,150,858 respectively.

8. LONG-TERM DISABILITY CLAIMS RESERVE

Long-term disability claims were self-insured by the Corporation. Claimants' payments are administered by the District who processes payments made pursuant to the plan. Claimants are paid either to age 65 or until they return to work. At June 30, 2022 and 2021, the long-term disability claims reserves were as follows:

	Balance at July 1, 2021	Claims Paid	Changes in Estimates	Balance at June 30, 2022	Due Within One Year
Claims payable	\$ 31,085	\$ (14,803)	\$ 1,503	\$ 17,785	\$ 14,803
	Balance at July 1, 2020	Claims Paid	Changes in Estimates	Balance at June 30, 2021	Due Within One Year
Claims payable	\$ 43,612	\$ (14,803)	\$ 2,276	\$ 31,085	\$ 14,803

9. POSTEMPLOYMENT (HEALTH INSURANCE) BENEFITS

A. General Information about the OPEB Plan

Plan Description – The District's defined benefit OPEB plan, provided OPEB for the two retired Board of Directors of the District. The plan is a single employer defined benefit OPEB plan administered by the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided – Following is a description of the retiree benefit plan:

	<u>Board Members</u>
Benefit types provided	Medical and dental
Duration of benefits	Lifetime
Dependent coverage	Yes
District contribution %	100%
District cap	None

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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9. POSTEMPLOYMENT (HEALTH INSURANCE) BENEFITS- Continued

Employees Covered by Benefit Terms – At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees receiving benefits	2
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	0

During the year ended June 30, 2021, the covered retiree passed away and therefore there was no remaining OPEB liability to the retiree and his spouse at June 30, 2022 or 2021.

B. Total OPEB Liability

Actuarial Assumptions and Other Inputs – The total OPEB liability in the June 30, 2019 actuarial valuation (used for the June 30, 2020 liability) was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

<i>Inflation</i>	2.75 percent
<i>Investment return/discount rate</i>	3.50 percent net of expenses. Based on the Bond Buyer 20 Bond Index
<i>Healthcare cost trend rates</i>	4.00 percent
<i>Payroll increase</i>	2.75 percent
<i>The mortality assumptions</i>	Based on the 2009 CalPERS Mortality for Retired Miscellaneous Employees table created by CalPERS. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis.

Cost for retiree coverage Based on actual employer contribution. Liabilities for active participants are based on the first year costs. Subsequent years' costs are based on first year costs adjusted for trend and limited by any District contribution caps.

C. Changes in the Total OPEB Liability

Balance at June 30, 2020	\$ <u>67,364</u>
<u>Changes for the fiscal year</u>	
Benefit payments	(21,400)
Write off remaining liability	<u>(45,964)</u>
Net changes	<u>(67,364)</u>
Balance at June 30, 2021	<u><u>\$ -</u></u>

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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10. INSURANCE

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; error and omissions; and natural disasters for which the District carries commercial insurance. The District purchases commercial insurance to cover the risk of loss for property, business liability, and medical payments.

11. RENTAL INCOME

The District rents commercial office suites subject to lease terms ranging from three to five years. Rental income includes the base monthly rental payments plus the common area maintenance fee. Rental income consisted of the following for the years ended June 30, 2022 and 2021:

	2022	2021
Base rent	\$ 931,379	\$ 898,879
Common area maintenance	408,581	347,134
	\$1,339,960	\$1,246,013

The five fiscal year minimum rental schedule follows:

	2023	2024	2025	2026	2027
Base rent	\$ 970,318	\$ 641,711	\$ 407,977	\$ 183,200	\$ 114,184
Common area maintenance	385,230	245,805	149,660	66,711	40,357
	\$ 1,355,548	\$ 887,516	\$ 557,637	\$ 249,911	\$ 154,541

12. COMMITMENT AND CONTINGENCIES

Earthquake Retrofit

Senate Bill 1953 imposes certain requirements that acute care hospitals would be required to meet within a specified time. These requirements include conducting seismic evaluations. The deadline was extended to January 1, 2030. After January 1, 2030, all hospitals must be determined to be in compliance.

Litigation

In the ordinary course of operations, the District is subject to other claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters will not materially affect its financial condition.

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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13. 401(K) RETIREMENT PLAN

The District converted from a 401(k) retirement plan to a 457(B) and 401(A) retirement plans. A 457(B) (employee contribution) and 401(A) (employer contribution) retirement plans were determined to be more appropriate for a governmental agency. The 401(K) plan was terminated and the 457(B) and 401(A) retirement plans became effective October 1, 2014.

The District contributes a dollar for dollar match for the first 4% of employee salary deferral and two dollars match for each additional dollar of the next 2% of employee salary deferral. The District's match contribution for the years ended June 30, 2022 and 2021 were \$105,943 and \$92,834, respectively.

14. DESERT HOSPITAL RETIREMENT PROTECTION PLAN

Effective July 1, 1971, Desert Hospital Corporation (Corporation) established a defined benefit pension plan (Plan) covering eligible employees of Desert Hospital. The Corporation was dissolved as of May 31, 1997 and the Plan has been frozen as of that date. The Desert Healthcare District (the "District") has assumed sponsorship of the Plan. Refer to the Plan's separate statements for more detail information.

Vesting

All participants of the Plan have been 100% vested since May 31, 1997.

Account Balances

All participants of the Plan are eligible to request a distribution or rollover of their account balance upon retirement or termination of their employment from Desert Regional Medical Center.

Contributions

There have been no contribution requirements by the District since May 31, 1997. Participant contributions to the Plan are not permitted. In the most recent actuarial valuation as of June 30, 2022, the Plan's independent actuary determined that the actuarial value of the Plan's net pension asset was \$1,009,246 at June 30, 2022 and \$1,807,032 at June 30, 2021.

In the report it was recommended to the District an actuarially determined contribution of \$0 and \$366,275 for the years ended June 30, 2022 and 2021, respectively. The District's board of directors elected not to fund the Plan during 2022 or 2021.

Administration and Trustee

The Plan is administered by the District's Finance and Administrative Committee (the Committee). The Committee is selected by the District's board of directors. All administrative expenses are paid by the Plan or at the discretion of the District.

Pursuant to the terms of the Plan, the District entered into a trust agreement with US Bank N. A. to provide for the investment, reinvestment, administration and distribution of contributions made under the Plan.

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

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JUNE 30, 2022 AND 2021

14. DESERT HOSPITAL RETIREMENT PROTECTION PLAN - Continued

Schedule of Funding Progress

Actuarial Valuation Date (1)	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
6/30/2006	\$ 5,236,383	\$ 9,566,663	\$ 4,330,280	55%	N/A	N/A
6/30/2007	N/A	N/A	N/A	N/A	N/A	N/A
6/30/2008	4,552,074	9,312,581	4,760,507	49%	N/A	N/A
6/30/2009	3,351,366	9,141,403	5,790,037	37%	N/A	N/A
6/30/2010	N/A	N/A	N/A	N/A	N/A	N/A
6/30/2011	3,522,125	7,921,342	4,399,217	45%	N/A	N/A
6/30/2012	N/A	N/A	N/A	N/A	N/A	N/A
6/30/2013	2,797,614	7,357,700	4,560,086	38%	N/A	N/A
6/30/2014	2,656,607	10,603,012	7,946,405	25%	N/A	N/A
6/30/2015	2,405,256	10,149,205	7,743,949	24%	N/A	N/A
6/30/2016	1,924,238	11,568,940	9,644,702	17%	N/A	N/A
6/30/2017	5,344,173	8,219,294	2,875,121	65%	N/A	N/A
6/30/2018	5,189,834	8,467,627	3,277,793	61%	N/A	N/A
6/30/2019	4,913,907	8,309,530	3,395,623	59%	N/A	N/A
6/30/2020	4,783,963	9,388,217	4,604,254	51%	N/A	N/A
6/30/2021	5,314,972	3,507,940	(1,807,032)	152%	N/A	N/A
6/30/2022	4,597,838	3,588,592	(1,009,246)	128%	N/A	N/A

No actuarial report or estimation using actuarial methodology were prepared for June 30, 2012, 2010, and 2007.

General Information about the Desert Hospital Retirement Protection Plan (Plan) Pension Plan

Plan Description

Effective July 1, 1971, Desert Hospital Corporation (Corporation) established a defined benefit pension plan (Plan) covering eligible employees of Desert Hospital. The Corporation was dissolved as of May 31, 1997 and the Plan has been frozen as of that date.

Employees Covered

At June 30, 2022 and 2021, the following employees were covered by the benefit terms:

	<u>2022</u>	<u>2021</u>
Inactive plan members if beneficiaries currently receiving benefits	7	7
Inactive plan members entitled to but not yet receiving benefits	59	59
Active plan members	88	88
Total Employees Covered	<u>154</u>	<u>154</u>

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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14. DESERT HOSPITAL RETIREMENT PROTECTION PLAN - Continued

General Information about the Desert Hospital Retirement Protection Plan (Plan) Pension Plan (Continued)

Net Pension (Asset) Liability

The District’s net pension (asset) liability for the Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. A summary of principal assumptions and methods used to determine the net pension (asset) liability is shown below.

Actuarial Assumptions

The total pension liability in the June 30, 2022 actuarial valuations were determined using the following actuarial assumptions:

Inflation	2.75%
Discount rate	6.24% net of pension plan investment expense, including inflation.
Measurement date	June 30, 2022, based on valuation date of June 30, 2022.
Ad hoc cost-of-living increases	Not applicable
Mortality	Pre-Retirement: None Post-Retirement: Pub G Sex distinct mortality tables projected generationally with Scale MP-2020
Experience study	Given the size of the plan, there is not enough data available to conduct a credible experience study. The assumptions are not anticipated to produce significant cumulative actuarial gains or losses over time. The liabilities and data are analyzed each year in order to identify any trends of experience deviating from the actuarial assumptions. The plan is frozen to new participants and benefit accruals.
Retirement	Actives-100% retirement at age 65. Terminated vested – Lump sums are assumed to be taken immediately. Annuities are assumed to commence at age 65.
Termination	Participants* are assumed to work for the Desert Regional Medical Center operated by Tenet Health System Desert, Inc. until Normal Retirement Age.

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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14. DESERT HOSPITAL RETIREMENT PROTECTION PLAN – Continued

General Information about the Desert Hospital Retirement Protection Plan (Plan) Pension Plan (Continued)

Net Pension (Asset) Liability (Continued)
Actuarial Assumptions (Continued)

Changes in assumptions 2020/2021

Management and the actuarial firm analyzed the actuarial assumptions of the plan and determined a change in assumptions was warranted in calculating total pension liability. Previous actuarial valuations included the assumption that all plan participants would receive annuities with payments for life. In reality, plan participants traditionally elect a lump sum distribution at the time of termination of employment from the hospital. The valuation based on annuities generated an excessively large total pension liability that was not reflective of the actual distribution of plan assets. A change in assumption to reflect participants electing a lump sum in 95% of cases, resulted in reducing total pension liability from \$9,388,217 (06/30/2020) to \$3,507,940 (06/30/2021). There were no changes in assumptions during the 2021/2022 year.

Other assumptions

See actuarial assumptions provided in the June 30, 2022 funding valuation for other relevant assumptions.

*Former Desert Hospital employees employed with Tenet Health System Desert, Inc.

Discount Rate

The discount rate used to measure the total pension liability was 6.24 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, the Plan stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 6.24 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 6.24 percent is applied to all plans in the Plan. The stress test results are presented in a detailed report called "GASB Crossover Testing Report".

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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14. DESERT HOSPITAL RETIREMENT PROTECTION PLAN – Continued

General Information about the Desert Hospital Retirement Protection Plan (Plan) Pension Plan (Continued)

Net Pension (Asset) Liability (Continued)
Actuarial Assumptions (Continued)

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 6.24 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 25.13 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. The Plan checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

The Plan expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through the 2021-22 fiscal year. The Plan will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Plan investment expense and inflation) are developed for each major asset class.

The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

Expected Rate of Return

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	Target Allocation	Long-term expected real rate of return
Domestic fixed income securities	35.0%	1.40%
Domestic equities	49.0	4.00
International equities	11.0	4.30
Cash	5.0	-

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS

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JUNE 30, 2022 AND 2021

14. DESERT HOSPITAL RETIREMENT PROTECTION PLAN – Continued

General Information about the Desert Hospital Retirement Protection Plan (Plan) Pension Plan (Continued)

Net Pension (Asset) Liability (Continued)
Expected Rate of Return (Continued)

The changes in the Net Pension (Asset) Liability for the Plan follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Position Liability/(Asset) (c) = (a) – (b)
Balance, June 30, 2021	\$ 3,507,940	\$ 5,314,972	\$ (1,807,032)
Changes in Recognized for the Measurement Period:			
Employer Contributions	-	-	-
Interest on the Total Pension Liability	229,605		229,605
Differences between Expected and Actual Experience	-	-	-
Changes in Assumptions	23,267	-	23,267
Net Investment Income (Loss) **	-	(512,520)	512,520
Benefit Payments, including Refunds of Employee Contributions	(172,220)	(172,220)	-
Administrative Expenses	-	(32,394)	32,394
Net Changes during 2021-22	80,652	(717,134)	797,786
Balance, June 30, 2022 *	\$ 3,588,592	\$ 4,597,838	\$ (1,009,246)

* The fiduciary net position includes receivables for employee service buybacks, deficiency reserves, fiduciary self-insurance and OPEB expense. This may differ from the plan assets reported in the funding actuarial valuation report.

** Net of administrative expenses.

Sensitivity of the Net Pension Asset to Changes in the Discount Rate

The Following presents the net pension asset of the Plan as of the measurement date, calculated using the discount rate of 6.24 percent, as well as what the net pension asset would be if it were calculated using a discount rate that is 1 percentage-point lower (5.24 percent) or 1 percentage-point higher (7.24 percent) than the current rate:

	<u>1% Decrease (5.24%)</u>	<u>Current Discount Rate (6.24%)</u>	<u>1% Increase (7.24%)</u>
Net pension asset	\$ (953,692)	\$ (1,009,246)	\$ (1,056,806)

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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14. DESERT HOSPITAL RETIREMENT PROTECTION PLAN – Continued

Changes in the Net Pension (Asset) Liability

Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial reports.

The Plan’s Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the fiscal year ended June 30, 2022, the District recognized pension expense of \$272,545. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net differences between projected and actual		
Earnings on pension plan investments	836,699	(492,802)
Changes in assumptions	-	-
Total	\$ 836,699	\$ (492,802)

Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2023	\$ 84,991
2024	64,863
2025	14,888
2026	179,155
Total	\$ 343,897

DESERT HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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15. RELATED PARTY TRANSACTIONS

The Desert Healthcare District and the Desert Healthcare Foundation are related parties. The Foundation is organized to provide health and welfare assistance to Coachella Valley residents in need. The District donated funds of \$2,000,000 and \$0 to the Foundation, to help fulfill their purpose during June 30, 2022 and 2021, respectively. The District also provided the Foundation with office space and personnel of \$534,792 and \$415,872 during June 30, 2022 and 2021, respectively.

Grants payable to the Foundation as of June 30, 2022 amounted to \$2,000,000. As of June 30, 2022 accounts receivable from the Foundation were \$1,083.

16. SUBSEQUENT EVENTS

The District and Foundation evaluated all potential subsequent events as of November 21, 2022 when the financial statements were authorized and available to be issued. No subsequent events or transactions were identified after June 30, 2022 or as of November 21, 2022 that require disclosure to the financial statements.

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REQUIRED SUPPLEMENTAL INFORMATION

DESERT HEALTHCARE DISTRICT

REQUIRED SUPPLEMENTAL INFORMATION

JUNE 30, 2022

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Note 2 – Schedule of Changes in Net OPEB Liability and Related Ratios – Last 10 Fiscal Years*

Measured Period	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>
Total OPEB Liability				
Service Cost	\$ -	\$ -	\$ -	\$ -
Changes in assumptions	-	-	(3,245)	(908)
Interest on the Total Pension Liability	-	-	2,957	3,684
Benefit Payments	-	(21,400)	(20,321)	(23,490)
Writeoff remaining liability	-	(45,964)	-	-
Net Change in total Pension Liability	-	(67,364)	(20,609)	(20,714)
Total OPEB Liability - Beginning		67,364	87,973	108,687
Total OPEB Liability - Ending (a)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,364</u>	<u>\$ 87,973</u>
Plan Fiduciary Net Position				
Contribution from the Employer	\$ -	\$ 21,400	\$ 20,321	\$ 23,490
Net investment income	-	-	-	-
Benefit Payments	-	(21,400)	(20,321)	(23,490)
Administrative Expenses	-	-	-	-
Net Change in Plan Fiduciary Net Position	-	-	-	-
Plan Fiduciary Net Position - Beginning	-	-	-	-
Plan Fiduciary Net Position - Ending (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net OPEB Liability - Ending (a) - (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,364</u>	<u>87,973</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Covered - Employee Payroll	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Net OPEB Liability as Percentage of	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Notes to Schedule:

During the year ended June 30, 2021, the covered retiree passed away and therefore there was no remaining OPEB liability to the retiree and his spouse.

Changes of Assumption: Investment/Discount rate changed from 3.80% to 3.50% from 2018 to 2019 measurement period.

*Fiscal year 2018 was the first year of implementation, therefore only four years are shown.

DESERT HEALTHCARE DISTRICT

REQUIRED SUPPLEMENTAL INFORMATION

JUNE 30, 2022

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Prepared for the Desert Healthcare District, a Single-Employer Defined Benefit Pension Plan
as of June 30, 2022

Note 1 – Schedule of Changes in the Net Pension (Asset) Liability and Related Ratios – Last 10 Years*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Measurement Period	2021-2022	2020-2021	2018-2019	2018-2019	2016-2017	2016-2017	2014-2015	2013-2014
Total Pension Liability								
Interest on total pension liability	\$ 229,605	\$ 342,696	\$ 374,170	\$ 385,951	\$ 399,298	\$ 321,990	\$ 397,980	\$ 418,035
Differences between expected and actual experience	-	(1,123,559)	-	(802,110)	-	(437,093)	(493,455)	(537,276)
Changes in assumptions	23,267	(4,503,151)	912,601	769,854	315,705	(2,852,163)	1,944,607	-
Benefit payments, including refunds of employee contributions	(172,220)	(596,263)	(208,084)	(511,792)	(466,670)	(382,380)	(459,397)	(304,566)
Net change in total pension liability	<u>80,652</u>	<u>(5,880,277)</u>	<u>1,078,687</u>	<u>(158,097)</u>	<u>248,333</u>	<u>(3,349,646)</u>	<u>1,389,735</u>	<u>(423,807)</u>
Total pension liability - beginning	<u>3,507,940</u>	<u>9,388,217</u>	<u>8,309,530</u>	<u>8,467,627</u>	<u>8,219,294</u>	<u>11,568,940</u>	<u>10,179,205</u>	<u>10,603,012</u>
Total pension liability - ending (a)	<u>3,588,592</u>	<u>3,507,940</u>	<u>9,388,217</u>	<u>8,309,530</u>	<u>8,467,627</u>	<u>8,219,294</u>	<u>11,568,940</u>	<u>10,179,205</u>
Plan fiduciary net position								
Employer contributions	-	-	-	-	-	3,400,000	-	-
Net investment income (loss)	(512,520)	1,160,972	109,665	268,701	347,969	426,828	(6,638)	71,101
Benefit payments	(172,220)	(596,263)	(208,084)	(511,792)	(466,670)	(382,380)	(459,397)	(304,566)
Administrative expenses	(32,394)	(33,700)	(31,524)	(32,836)	(35,638)	(24,513)	(14,983)	(17,886)
Net change in plan fiduciary net position	<u>(717,134)</u>	<u>531,009</u>	<u>(129,943)</u>	<u>(275,927)</u>	<u>(154,339)</u>	<u>3,419,935</u>	<u>(481,018)</u>	<u>(251,351)</u>
Plan fiduciary net position - beginning	<u>5,314,972</u>	<u>4,783,963</u>	<u>4,913,907</u>	<u>5,189,834</u>	<u>5,344,173</u>	<u>1,924,238</u>	<u>2,405,256</u>	<u>2,656,607</u>
Plan fiduciary net position - ending (b)	<u>4,597,838</u>	<u>5,314,972</u>	<u>4,783,963</u>	<u>4,913,907</u>	<u>5,189,834</u>	<u>5,344,173</u>	<u>1,924,238</u>	<u>2,405,256</u>
Net pension (asset) liability - ending (a) - (b)	<u>\$ (1,009,246)</u>	<u>\$ (1,807,032)</u>	<u>\$ 4,604,254</u>	<u>\$ 3,395,623</u>	<u>\$ 3,277,793</u>	<u>\$ 2,875,121</u>	<u>\$ 9,644,702</u>	<u>\$ 7,773,949</u>
Plan fiduciary net position as percentage of the total pension liability	128.12%	151.51%	50.96%	59.14%	61.29%	65.02%	16.63%	23.63%
Covered - employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability as a percentage of covered - employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to Schedule

Changes in Assumptions:

- 2017 to 2018 Investment rate of return, including inflation, and net of investment expenses changed from 5.00 % to 4.70%.
- 2017 to 2018 Discount rate changed from 5.00% to 4.70%.
- 2018 to 2019 Discount rate changed from 4.70% to 4.56%.
- 2018 to 2019 Investment rate of return, including inflation, and net of investment expenses changed from 4.70% to 4.56%.
- 2019 to 2020 Discount rate changed from 4.56% to 3.77%.
- 2020 to 2021 Discount rate changed from 3.77% to 6.71%
- 2021 to 2022 Discount rate changed from 6.71% to 6.24%

* Fiscal year 2015 was the first year of implementation, therefore only eight years are shown.

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DESERT HOSPITAL
RETIREMENT PROTECTION PLAN

PALM SPRINGS, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT,
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

JUNE 30, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Directors
of the Desert Hospital Retirement Protection Plan
Palm Springs, California

Qualified Opinion

We have audited the accompanying financial statements of Desert Hospital Retirement Protection Plan (the Plan), an employee benefit plan subject to the Employee Retirement Income Security Act of 1974 (ERISA), which comprise the statement of net assets available for benefits and of accumulated plan benefits as of June 30, 2022, and the related statements of changes in net assets available for benefits and changes in accumulated plan benefits for the year then ended, and the related notes to the financial statements.

In our opinion, except for the matter discussed in the Basis for Qualified Opinion section of our report, the financial statements referred to in the first paragraph present fairly, in all material respects, the net assets available for benefits and changes in accumulated plan benefits of Desert Hospital Retirement Protection Plan as of June 30, 2022, or the changes in its net assets available for benefits or the changes in its accumulated plan benefits for the year then ended in accordance with accounting principles generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*.

Basis for Qualified Opinion

Desert Hospital Retirement Protection Plan's financial statements do not present certain disclosures and supplemental schedules required to be in accordance with generally accepted accounting principles in the United States of America due to the Plan's status as a "frozen plan" as of May 31, 1997 (Note 1).

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Governmental Auditing Standards*. 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 Desert Hospital Retirement Protection Plan and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Prior Period Financial Statements

The financial statements of Desert Hospital Retirement Protection Plan as of June 30, 2021 were audited by other auditors whose report dated October 14, 2021, expressed a qualified opinion on those statements because of the departure from generally accepted accounting principles described in the Basis for Qualified Opinion section of our report.

Responsibilities of Management 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, 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 Desert Hospital Retirement Protection Plan 's ability to continue as a going concern within one year after the date the financial statements are available to be issued.

Management is also responsible for maintaining a current plan instrument, including all plan amendments; administering the plan; and determining that the plan's transactions that are presented and disclosed in the financial statements are in conformity with the plan's provisions, including maintaining sufficient records with respect to each of the participants, to determine the benefits due or which may become due to such participants.

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 and *Governmental 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.

In performing an audit in accordance with generally accepted auditing standards and *Governmental 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 Desert Hospital Retirement Protection Plan '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 Desert Hospital Retirement Protection Plan '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.

Other Matters

Other Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2022 on our consideration of the Plan's internal control over financial reporting and on our tests of compliance with laws and regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not 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 Plan's internal control over financial reporting.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Schedule of Funding Progress be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial statements, for placing the financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

La Quinta, CA
November 21, 2022

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

**STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS AND OF ACCUMULATED
PLAN BENEFITS
JUNE 30, 2022 AND 2021**

DRAFT

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Cash	\$ 212,589	\$ 148,112
Investments, at fair value		
U.S. Government securities	342,878	557,359
Corporate equity securities	561,296	637,246
Corporate debt securities	492,046	449,841
Mutual funds	<u>2,989,543</u>	<u>3,524,051</u>
Total investments	<u>4,385,763</u>	<u>5,168,497</u>
Interest and dividends receivable	<u>6,866</u>	<u>7,125</u>
Total assets	<u>4,605,218</u>	<u>5,323,734</u>
<u>LIABILITIES</u>		
Accrued trustee fees	<u>7,380</u>	<u>8,762</u>
<u>NET POSITION RESTRICTED FOR PENSION</u>	<u>\$ 4,597,838</u>	<u>\$ 5,314,972</u>

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

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

**STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS AND
CHANGES IN ACCUMULATED PLAN BENEFITS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

DRAFT

	<u>2022</u>	<u>2021</u>
ADDITIONS TO NET ASSETS		
Contributions	\$ -	\$ -
Investment income		
Net (depreciation) appreciation in fair value of investments	(129,864)	151,450
Dividend income	81,290	66,373
Interest income and other income	27,830	39,545
Net gain (loss) from sale of investments	<u>(491,776)</u>	<u>903,604</u>
Total additions to assets	<u>(512,520)</u>	<u>1,160,972</u>
<u>DEDUCTIONS FROM NET ASSETS</u>		
Distributions of benefits to participants	172,220	596,263
Administrative expenses	<u>32,394</u>	<u>33,700</u>
Total deductions from assets	<u>204,614</u>	<u>629,963</u>
NET (DECREASE) INCREASE	(717,134)	531,009
NET POSITION AVAILABLE FOR BENEFITS:		
BEGINNING OF YEAR	<u>5,314,972</u>	<u>4,783,963</u>
END OF YEAR	<u>\$ 4,597,838</u>	<u>\$ 5,314,972</u>

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

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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1. PLAN STATUS

From June 1986 to May 1997, the Desert Hospital Corporation (the Corporation), a California not for profit public benefit corporation, operated Desert Hospital under a lease agreement with the Desert Healthcare District (the District). The District is a hospital district under California law, created under California's Health and Safety Code.

On May 31, 1997, after the Corporation and the District discontinued their lease agreement for the operation of Desert Hospital, the Corporation dissolved, and the District entered into a lease agreement with Tenent Health System Desert, Inc. concerning the operation of Desert Hospital, which is now known as Desert Regional Medical Center. As part of the dissolution process, the Corporation transferred certain assets and liabilities to the District, and the District assumed sponsorship of the Desert Hospital Retirement Protection Plan (the Plan). The Plan has been frozen since May 31, 1997.

The District is a political subdivision of the State of California, as identified in section 4021(b)(2) of the Employee Retirement Income Savings Act (ERISA). Accordingly, the Plan is excluded from coverage under section 4021(b)(2) of ERISA.

A final Form 5500 was filed for the fiscal year ended June 30, 1998.

The Plan has reported to the California State Controller's Office beginning with the fiscal year ended June 30, 1999.

2. PLAN DESCRIPTION

General

As discussed in note 1 above, the Plan has been frozen since May 31, 1997. The Plan was originally established in 1971 as a defined benefit plan covering all eligible employees of Desert Hospital.

Vesting

All participants of the Plan have been 100% vested since May 31, 1997.

Account Balances

All participants of the Plan are eligible to request a distribution or rollover of their account balance upon retirement or termination of their employment from Desert Regional Medical Center.

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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2. PLAN DESCRIPTION – (Continued)

Contributions

There have been no contribution requirements by the District since May 31, 1997. Participant contributions to the Plan are not permitted. The most recent actuarial valuation as of June 30, 2022 by the Plan's independent actuary determined that the actuarial value of the Plan's net pension asset was \$1,009,246 and \$1,807,032 at June 30, 2022 and 2021, respectively. The actuary recommended to the District an actuarially determined contribution of \$0 and \$366,275 for the years ended June 30, 2022 and 2021, respectively.

Administration and Trustee

The Plan is administered by the District's Finance and Administrative Committee (the Committee). The Committee is selected by the District's board of directors. All administrative expenses are paid by the Plan or at the discretion of the District.

Pursuant to the terms of the Plan, the District entered into a trust agreement with U.S. Bank N. A. to provide for the investment, reinvestment, administration and distribution of contributions made under the Plan.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America. In that respect, the statements are presented on an accrual basis.

Use of Estimates

The preparation of the Plan's financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and changes therein, and when applicable, disclosures of contingent assets and liabilities. Actual results could differ from those estimates. Management believes that the estimates are reasonable.

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Federal Income Taxes

The Committee obtained an updated determination letter in March 2007 from the Internal Revenue Service stating that the Plan and its amendments are exempt from Federal income taxes under section 410(a) of the Internal Revenue Code (the IRC) as a qualified plan. Therefore, no provision for income taxes has been provided in the Plan’s financial statements.

Reporting

Due to the Plan’s status as a “frozen Plan”, certain disclosures and supplemental schedules have been omitted from the accompanying financial statements.

4. CASH AND INVESTMENTS

Cash and securities held in the investment portfolio are in the custody of U.S. Bank, N.A., the Plan’s trustee. State statute and Board policies allow investments consisting of government, corporate and international bonds, domestic and international equities, mutual funds and other investments.

Investments of the Plan are stated at fair value as confirmed by the trustee as of the date of the statement of plan net assets.

The Plan’s investments are categorized below:

Investment Type	2022		2021	
	Cost	Fair Value	Cost	Fair Value
Cash	\$ 212,589	\$ 212,589	\$ 148,112	\$ 148,112
Investments				
U. S. Government securities	356,163	342,878	539,155	557,359
Corporate equity securities	360,035	561,296	336,165	637,246
Corporate debt securities	516,423	492,046	440,457	449,841
Mutual funds	<u>2,617,647</u>	<u>2,989,543</u>	<u>2,343,952</u>	<u>3,524,051</u>
Investments total	<u>3,850,268</u>	<u>4,385,763</u>	<u>3,659,729</u>	<u>5,168,497</u>
Total cash and investments	<u>\$ 4,062,857</u>	<u>\$ 4,598,352</u>	<u>\$ 3,807,841</u>	<u>\$ 5,316,609</u>

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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4. CASH AND INVESTMENTS – (Continued)

Disclosure relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in the market interest rates. One of the ways that the Plan manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming closer to maturity evenly over time as necessary to provide the cash flow and liquidity needed for distributions.

Information about the sensitivity of the fair values of the Plan's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Plan's investments by maturity:

As of June 30, 2022

Investment Type	Carrying Amount	Remaining Maturity (in Months)				
		12 Months Or Less	13 to 24 Months	25 – 36 Months	37 – 48 Months	More than 49 Months
Equity Based Mutual Funds	\$ 2,053,149	\$ 2,053,149	\$ -	\$ -	\$ -	\$ -
Fixed Income Mutual Funds	936,394	936,394	-	-	-	-
Corporate Bonds	492,046	49,956	200,733	-	49,116	192,241
U.S. Government Bonds	243,179	-	-	-	-	243,179
U.S. Treasury Note	99,699	-	99,699	-	-	-
Foreign Stock	34,813	34,813	-	-	-	-
Domestic Common Stock	526,483	526,483	-	-	-	-
Total	<u>\$ 4,385,763</u>	<u>\$ 3,600,795</u>	<u>\$ 300,432</u>	<u>\$ -</u>	<u>\$ 49,116</u>	<u>\$ 435,420</u>

As of June 30, 2021

Investment Type	Carrying Amount	Remaining Maturity (in Months)				
		12 Months Or Less	13 to 24 Months	25 – 36 Months	37 – 48 Months	More than 49 Months
Equity Based Mutual Funds	\$ 3,016,955	\$ 3,016,955	\$ -	\$ -	\$ -	\$ -
Fixed Income Mutual Funds	507,096	507,096	-	-	-	-
Corporate Bonds	449,841	68,562	51,639	213,690	-	115,950
U.S. Government Bonds	401,529	50,612	-	-	-	350,917
U.S. Treasury Note	155,830	50,092	-	105,738	-	-
Foreign Stock	41,174	41,174	-	-	-	-
Domestic Common Stock	596,072	596,072	-	-	-	-
Total	<u>\$ 5,168,497</u>	<u>\$ 4,330,563</u>	<u>\$ 51,639</u>	<u>\$ 319,428</u>	<u>\$ -</u>	<u>\$ 466,867</u>

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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4. CASH AND INVESTMENTS – (Continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code and the Plan's investment policy, and the actual rating as of fiscal year end for each investment type.

As of June 30, 2022

Investment Type	Carrying Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End			
				AAA/AA	A	BBB	Not Rated
Equity Based Mutual Funds	\$ 2,053,149	N/A	\$ -	\$ -	\$ -	\$ -	\$ 2,053,149
Fixed Income Mutual Funds	936,394	N/A	-	-	-	-	936,394
Corporate Bonds	492,046	A	-	148,138	150,129	193,779	-
U.S. Government Bonds	243,179	A	-	-	243,179	-	-
U.S. Treasury Note	99,699	N/A	99,699	-	-	-	-
Foreign Stock	34,813	N/A	-	-	-	-	34,813
Domestic Common Stock	526,483	N/A	-	-	-	-	526,483
Total	<u>\$ 4,385,763</u>		<u>\$ 99,699</u>	<u>\$ 148,138</u>	<u>\$ 393,308</u>	<u>\$ 193,779</u>	<u>\$ 3,550,839</u>

As of June 30, 2021

Investment Type	Carrying Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End			
				AAA/AA	A	BBB	Not Rated
Equity Based Mutual Funds	\$ 3,016,955	N/A	\$ -	\$ -	\$ -	\$ -	\$ 3,016,955
Fixed Income Mutual Funds	507,096	N/A	-	-	-	-	507,096
Corporate Bonds	449,841	A	-	158,686	157,827	133,328	-
U.S. Government Bonds	401,529	A	-	50,612	350,917	-	-
U.S. Treasury Note	155,830	N/A	155,830	-	-	-	-
Foreign Stock	41,174	N/A	-	-	-	-	41,174
Domestic Common Stock	596,072	N/A	-	-	-	-	596,072
Total	<u>\$ 5,168,497</u>		<u>\$ 155,830</u>	<u>\$ 209,298</u>	<u>\$ 508,744</u>	<u>\$ 133,328</u>	<u>\$ 4,161,297</u>

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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4. CASH AND INVESTMENTS – (Continued)

Concentration of Credit Risk

The investment policy of the Plan contains limitations on the amount that can be invested in any one issuer. There are two investments at June 30, 2022 that represent 5% or more of total Plan investments. These investments are:

2469 shares of IShares S&P 500 Value Etf valued at \$399,389
3727 shares of Vanguard Short-term Invst grade #539 valued at \$375,688

There are five investments at June 30, 2021 that represent 5% or more of total Plan investments. These investments are:

5982 shares of IShares S&P 500 Growth Etf valued at \$435,071
2706 shares of IShares S&P 500 Value Etf valued at \$399,514
6537 shares of Vanguard Ftsc Developed Etf valued at \$366,786
765 shares of Vanguard S&P:500 Eft valued at \$301,043
2561 shares of Schwab US Large Cap Eft valued at \$266,267

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the Plan's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits:

As of June 30, 2022, there were no District deposits with financial institutions in excess of federal depository insurance limits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Plan's investment policy do not contain legal or policy requirement that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities.

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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4. CASH AND INVESTMENTS – (Continued)

Fair Value Measurements

The plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. These principals recognize a three-tiered fair value hierarchy, as follows

- Level 1: Investments reflect prices quoted in active markets;
- Level 2: Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered active; and,
- Level 3: Investments reflect prices based upon unobservable sources.

The Plan has the following recurring fair value measurements as of June 30, 2022:

Investment by fair value	Total	Fair Value Measurement Using		
		Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities				
US Government Issues	\$ 342,878	\$ 99,699	\$ 243,179	\$ -
Corporate Issues	492,046	-	492,046	-
Mutual Funds – Equity	2,053,149	2,053,149	-	-
Mutual Funds – Fixed Income	936,394	-	936,394	-
Domestic Common Stock	526,483	526,483	-	-
Foreign Stock	34,813	34,813	-	-
Total	\$ 4,385,763	\$ 2,714,144	\$ 1,671,619	\$ -

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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4. CASH AND INVESTMENTS – (Continued)

Fair Value Measurements – (Continued)

The Plan has the following recurring fair value measurements as of June 30, 2021:

<u>Investment by fair value</u>	<u>Total</u>	<u>Fair Value Measurement Using</u>		
		<u>Quoted prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Debt Securities				
US Government Issues	\$ 557,359	\$ 155,829	\$ 401,530	\$ -
Corporate Issues	449,841	-	449,841	-
Mutual Funds – Equity	3,016,955	3,016,955	-	-
Mutual Funds – Fixed Income	507,096	-	507,096	-
Domestic Common Stock	596,072	596,072	-	-
Foreign Stock	41,174	41,174	-	-
Total	<u>\$ 5,168,497</u>	<u>\$ 3,810,030</u>	<u>\$ 1,358,467</u>	<u>\$ -</u>

5. ACTUARIAL ASSUMPTIONS

The total pension liability as of June 30, 2022 was determined using the following actuarial assumptions:

Inflation	2.75%
Discount rate	6.24%, net pension plan investment expense, including inflation.
Measurement date	June 30, 2022, based on a valuation date of June 30, 2022.
Ad hoc cost-of-living increases	Not applicable
Mortality	Pre-Retirement: None Post-Retirement: Pub G–2010 Sex distinct mortality tables projected generationally with Scale MP-2020
Experience Study	Given the size of the plan, there is not enough data available to conduct a credible experience study. The assumptions are not anticipated to produce significant cumulative actuarial gains or losses over time. The liabilities and data are analyzed each year in order to identify any trends of experience deviating from the actuarial assumptions. The plan is frozen to new participants and benefit accruals.

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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5. ACTUARIAL ASSUMPTIONS – (Continued)

Retirement	Actives- 100% retirement at age 65. Terminated Vested- Lump sums are assumed to be taken immediately. Annuities are assumed to commence at age 65.
Termination	Participants* are assumed to work for the Desert Regional Medical Center operated by Tenet Health System Desert, Inc. until Normal Retirement Age.
Changes in assumptions 2020/2021	Management and the actuarial firm analyzed the actuarial assumptions of the plan and determined a change in assumptions was warranted in calculating total pension liability. Previous actuarial valuations included the assumption that all plan participants would receive annuities with payments for life. In reality, plan participants traditionally elect a lump sum distribution at the time of termination of employment from the hospital. The valuation based on annuities generated an excessively large total pension liability that was not reflective of the actual distribution of plan assets. A change in assumption to reflect participants electing a lump sum in 95% of cases, resulted in reducing total pension liability from \$9,388,217 (06/30/2020) to \$3,507,940 (06/30/2021). There were no changes in assumptions during the 2021/2022 year.
Other assumptions	See actuarial assumptions provided in the June 30, 2022 funding valuation for other relevant assumptions.

*Former Desert Hospital employees employed with Tenet Health System Desert, Inc.

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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6. NET PENSION (ASSET) LIABILITY OF THE PLAN

Schedule of Changes in Net Pension (Asset) Liability and Related Ratios

Total pension liability:	2022	2021
Service Cost	\$ -	\$ -
Interest	229,605	342,696
Changes of benefit terms	-	-
Differences between expected and actual experience	-	(1,123,559)
Changes of assumptions	23,267	(4,503,151)
Benefit payments, including refunds of member contributions	(172,220)	(596,263)
Net change in total pension liability	80,652	(5,880,277)
Total pension liability – beginning	3,507,940	9,388,217
Total pension liability – ending (a)	<u>\$ 3,588,592</u>	<u>\$ 3,507,940</u>
Plan fiduciary net position		
Contributions – employer	\$ -	\$ -
Net investment income (loss)	(512,520)	1,160,972
Benefit payments, including refunds of member contributions	(172,220)	(596,263)
Administrative expenses	(32,394)	(33,700)
Net change in plan fiduciary net position	(717,134)	531,009
Plan fiduciary net position – beginning	5,314,972	4,783,963
Plan fiduciary net position – ending (b)	4,597,838	5,314,972
Net pension (asset) liability – ending (a) – (b)	<u>\$ (1,009,246)</u>	<u>\$ (1,807,032)</u>
Plan fiduciary net position as a percentage of the total pension (asset) liability	128.12%	151.51%
Covered – employee payroll	N/A	N/A
Net pension liability as percentage of covered – employee payroll	N/A	N/A

Discount Rate and Net Pension Asset Sensitivity

1. Discount Rate

The discount rate used to measure the total pension liability was 6.24%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the difference between the actuarially determined contribution rates and member rates. Professional judgement on future contributions has been applied in those cases where contribution patterns deviate from the actuarially determined rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments to current plan members. Therefore, the long-term expected rate of return 6.24% on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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6. NET PENSION (ASSET) LIABILITY OF THE PLAN - (Continued)

2. Sensitivity of the Net Pension Asset to Changes in the Discounted Rate

The following presents the net pension asset, calculated using the discount rate of 6.24%, as well as what the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower 5.24% or 1-percentage-point higher 7.24% than the current rate:

	1% Decrease 5.24%	Current Discount Rate 6.24%	1% Increase 7.24%
Net pension (asset)	\$ (953,692)	\$ (1,009,246)	\$ (1,056,806)

Summary

Plan membership

The total pension liability was determined based on the plan membership as of June 30,

	2022	2021
Inactive plan members if beneficiaries currently receiving benefits	7	7
Inactive plan members entitled to but not yet receiving benefits	59	59
Active plan members	88	88
	154	154

Net Pension (Asset) Liability

The components of the net pension (asset) liability at June 30,

	2022	2021
Total pension liability	\$ 3,588,592	\$ 3,507,940
Plan fiduciary	(4,597,838)	(5,314,972)
Net pension (asset) liability	\$ (1,009,246)	\$ (1,807,032)
Plan fiduciary net position as a % of the total pension liability	128.12%	151.51%

Actuarial Assumptions

The total pension liability was determined using the following actuarial assumptions

	2022	2021
Inflation	2.75%	2.75%
Salary Increases	N/A	N/A
Investment rate of return	6.24%	6.71%
Discount rate	6.24%	6.71%

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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7. SUBSEQUENT EVENTS

The Plan evaluated all potential subsequent events as November 21, 2022 when the financial statements were authorized and available to be issued. No subsequent events or transaction were identified after June 30, 2022 or as of November 21, 2022 that require disclosure to the financial statements.

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SUPPLEMENTARY INFORMATION

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

SCHEDULE OF FUNDING PROGRESS

JUNE 30, 2022 AND 2021

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Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	(Funded) Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2006	\$ 5,236,383	\$ 9,566,663	\$ 4,330,280	55%	N/A	N/A
6/30/2007	N/A	N/A	N/A	N/A	N/A	N/A
6/30/2008	4,552,074	9,312,581	4,760,507	49%	N/A	N/A
6/30/2009	3,351,366	9,141,403	5,790,037	37%	N/A	N/A
6/30/2010	N/A	N/A	N/A	N/A	N/A	N/A
6/30/2011	3,522,125	7,921,342	4,399,217	45%	N/A	N/A
6/30/2012	N/A	N/A	N/A	N/A	N/A	N/A
6/30/2013	2,797,614	7,357,700	4,560,086	38%	N/A	N/A
6/30/2014	2,656,607	10,603,012	7,946,405	25%	N/A	N/A
6/30/2015	2,405,256	10,149,205	7,743,949	24%	N/A	N/A
6/30/2016	1,924,238	11,568,940	9,644,702	17%	N/A	N/A
6/30/2017	5,344,173	8,219,294	2,875,121	65%	N/A	N/A
6/30/2018	5,189,835	8,467,627	3,277,792	61%	N/A	N/A
6/30/2019	4,913,906	8,309,530	3,395,624	59%	N/A	N/A
6/30/2020	4,783,963	9,388,217	4,604,254	51%	N/A	N/A
6/30/2021	5,314,972	3,507,940	(1,807,032)	152%	N/A	N/A
6/30/2022	4,597,838	3,588,592	(1,009,246)	128%	N/A	N/A

No actuarial reports or estimation using actuarial methodology were prepared for June 30, 2012, 2010 and 2007.

DRAFT

DESERT HEALTHCARE FOUNDATION

PALM SPRINGS, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT
ON SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS AND
REPORTS ON INTERNAL CONTROL,
COMPLIANCE AND OTHER MATTERS

JUNE 30, 2022

DRAFT

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Schedule of Expenditures of Federal Awards

Opinion

We have audited the schedule of expenditures of federal awards of Desert Healthcare Foundation for the year ended June 30, 2022, and the related notes (the schedule).

In our opinion, the accompanying schedule of expenditures of federal awards presents fairly, in all material respects, the expenditures of federal awards of Desert Healthcare Foundation for the year ended June 30, 2022, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Schedule section of our report.

We are required to be independent of Desert Healthcare Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Schedule

Management is responsible for the preparation and fair presentation of the schedule 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 the schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Schedule

Our objectives are to obtain reasonable assurance about whether the schedule as a whole is 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, *Government Auditing Standards*, and the Uniform Guidance 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 schedule.

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 schedule, 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 schedule.
- 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 Desert Healthcare Foundation'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 schedule.

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.

November 21, 2022
La Quinta, CA

DRAFT

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors
Desert Healthcare Foundation
Palm Springs, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Desert Healthcare Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 21, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Desert Healthcare Foundation'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 Desert Healthcare Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Desert Healthcare Foundation'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 a 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Desert Healthcare Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Desert Healthcare Foundation's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Desert Healthcare Foundation's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Desert Healthcare Foundation's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

November 21, 2022

La Quinta, CA

DRAFT

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
Desert Healthcare Foundation
Palm Springs, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Desert Healthcare Foundation’s compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Desert Healthcare Foundation’s major federal programs for the year ended June 30, 2022. Desert Healthcare Foundation’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, Desert Healthcare Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost principles, and audit requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standard and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Desert Healthcare Foundation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Desert Healthcare Foundation’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulation, rules, and provisions of contract or grant agreements applicable to Desert Healthcare Foundation's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Desert Healthcare Foundation's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Desert Healthcare Foundation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Desert Healthcare Foundation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Desert Healthcare Foundation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Desert Healthcare Foundation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

La Quinta, CA

November 21, 2022

DESERT HEALTHCARE FOUNDATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

DRAFT

Federal Grantor/Pass-Through Agency/Program	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services			
Passed-through from Riverside County			
Epidemiology and Laboratory Capacity for Infectious Diseases - COVID-19	93.323		\$ <u>1,481,551</u> *
 Total U.S. Department of Health and Human Services			
		Total Expenditures of Federal Awards	\$ <u>1,481,551</u>

** Note: It was determined in the 21/22 fiscal year audit that \$237,946 was indicated as expended in the June 30, 2021 Schedule of Federal Expenditures of Federal Awards (SEFA), however, the expenses related to that amount were not incurred until the 21/22 fiscal year. Therefore, the amount was indicated above correctly and the prior SEFA should have excluded this amount. The change does not represent a compliance issue and merely a timing difference as the funds were properly expended for the intended purpose.*

(See accompanying notes to Schedule of Expenditures of Federal Awards)

DESERT HEALTHCARE FOUNDATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

DRAFT

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Desert Healthcare Foundation under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulation* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Desert Healthcare Foundation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Desert Healthcare Foundation.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3: INDIRECT COST RATE

Desert Healthcare Foundation has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

DESERT HEALTHCARE FOUNDATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

DRAFT

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Desert Healthcare Foundation were prepared in accordance with GAAP.
2. One significant deficiency relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of Desert Healthcare Foundation, were disclosed during the audit.
4. No significant deficiencies relating to the audit of major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and Internal Control Over Compliance Required By The Uniform Guidance. No material weaknesses are reported.
5. The auditor's report on compliance for Desert Healthcare Foundation expresses an unmodified opinion on all major federal programs.
6. There are no audit findings that should be disclosed in accordance with 2 CFR section 200.516(a).
7. The programs tested as major programs were:

<u>Program Name</u>	<u>CFDA#</u>
Epidemiology and Laboratory Capacity for Infectious Diseases – COVID- 19	93.323

8. The dollar threshold used for distinguishing between Type A and B programs was \$750,000.
9. Desert Healthcare Foundation was determined not to be low-risk auditee. *(Since the Foundation has not had a single audit in the past two years they are required to be considered "not low-risk")*

DESERT HEALTHCARE FOUNDATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

DRAFT

B. Findings – Financial Statements Audit

Finding No. 2022-001: Grants Payable and Restricted Net Assets (Significant Deficiencies)

Criteria: Desert Healthcare Foundation awards grants to other organizations. At the time the award is approved by the Board of Directors, the Organization incurs the grant payable liability. Additionally, when donors or granting agencies provide the Organization with funding for a specific purpose, those funds are recognized as restricted revenue and released from restrictions when expended for the specific purpose.

Condition: The Organization was recording a liability for grants payable for designated initiatives before the Board of Directors had awarded the funds to a specific organization in an effort to show that the funds had been designated by the Board of Directors or restricted by the donor or granting agency, for the purpose of distribution to other organizations. The Organization had not implemented Accounting Standards Update No. 2018-08 (ASU 2018-08), Not-for-Profit Entities (Topic 958) that was effective for the Organization during the year ended June 30, 2020.

Effect or Potential Effect: The recording of the grant expense causes a timing issue for when the revenue and expense is properly recorded. When the Organization received restricted grants, the revenues were recorded. However, a corresponding grants payable (and expense) was recorded to signify the restriction of the funds. The result of this treatment caused overstated/understated net assets depending on the year. The result of implementing the accounting standard for the year ending June 30, 2022, resulted in a restatement for prior year's net assets totaling \$3,445,048 and adjustments totaling \$1,546,077 that reduced grant expense for the year. However, it is important to indicate that the Organization has always been properly tracking restrictions of funds and properly adhering to the restrictions placed by donors or granting agencies and properly accounting for the expense prior to the accounting standard update. It is also important to note that the auditors for the FY20 and FY21 audits acknowledged the recording of the grant expense and the grant liability was acceptable.

Recommendation: The Organization has already implemented the process for proper accounting treatment for the funds.

View of Responsible Officials and Planned Corrective Action: The Organization was audited by some of the same audit personnel in FY20 and FY21 to which the deficiency was not identified and implemented. Management recognizes its oversight of implementing the revised standard. The recommended correction has been made for the proper treatment of restricted grants and grants payable per the Accounting Standards Update No. 2018-08. It is important to note this is an accounting related adjustment and is not related to any internal control or financial concerns.

DESERT HEALTHCARE FOUNDATION
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

DRAFT

C. Findings And Questioned Costs – Major Federal Award Programs Audit

There were no findings and questioned costs for the year ended June 30, 2021.

FEDERAL COMPLIANCE

There were no prior year findings and questioned costs for the year ended June 30, 2021.

DRAFT

DESERT HEALTHCARE FOUNDATION

PALM SPRINGS, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT AND
FINANCIAL STATEMENTS

JUNE 30, 2022

WITH SUMMARIZED COMPARATIVE TOTALS FOR JUNE 30, 2021

DESERT HEALTHCARE FOUNDATION

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DRAFT

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Desert Healthcare Foundation (Foundation), is not-for-profit organization and component unit of Desert Healthcare District, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Desert Healthcare Foundation. as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Desert Healthcare Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the 2019/2020 year the Foundation adopted accounting guidance related to the presentation of donor restricted grants/contributions versus grant liabilities/deferred revenue. Our opinion is not modified with respect to that 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 Desert Healthcare Foundation'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 and *Government 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.

In performing an audit in accordance with generally accepted auditing standards and *Government 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 Desert Healthcare Foundation'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 Desert Healthcare Foundation'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2022, on our consideration of Desert Healthcare 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Desert Healthcare Foundation's 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 Desert Healthcare Foundation's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

The financial statement of Desert Healthcare Foundation for the year ended June 30, 2021, were audited by other auditors whose report was dated October 14, 2021, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

November 21, 2022
La Quinta, CA

DESERT HEALTHCARE FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

DRAFT

WITH SUMMARIZED COMPARATIVE TOTALS FOR JUNE 30, 2021

	Totals	
	2022	2021 (Memorandum Only) <i>Restated</i>
<u>ASSETS</u>		
ASSETS		
Cash and cash equivalents	\$ 516,636	\$ 1,348,623
Grants receivable	2,217,209	1,122,500
Prepaid expenses	3,000	2,500
Accrued interest and dividend receivable	-	17,221
Total current assets	2,736,845	2,490,844
 OTHER ASSETS		
Contributions receivable - charitable remainder trusts	188,389	200,809
Investments	4,181,156	5,617,879
Total other assets	4,369,545	5,818,688
 TOTAL ASSETS	\$ 7,106,390	\$ 8,309,532
 <u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Current liabilities		
Accounts payable and accrued payroll	\$ 12,973	\$ 144,954
Grants payable - current	795,028	1,772,234
Total current liabilities	808,001	1,917,188
Long-term liabilities		
Grants payable - long-term	200,000	249,356
Total long-term liabilities	200,000	249,356
TOTAL LIABILITIES	1,008,001	2,166,544
 NET ASSETS		
Without donor restrictions	399,057	1,683,904
Without donor restrictions - Board designated	1,544,156	1,039,156
With donor restrictions	4,155,176	3,419,928
Total net assets	6,098,389	6,142,988
 TOTAL LIABILITIES AND NET ASSETS	\$ 7,106,390	\$ 8,309,532

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

DESERT HEALTHCARE FOUNDATION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

DRAFT

WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021

			Totals	
	Without Donor Restrictions	With Donor Restrictions	2022	2021 (Memorandum Only) <i>Restated</i>
REVENUES AND GAINS				
Contributions	\$ 40,275	\$ -	\$ 40,275	\$ 189,655
Grants	168,605	2,000,000	2,168,605	3,724,999
Bequests	57,080	-	57,080	56,364
Interest and dividends	138,889	-	138,889	185,407
Investment (loss) gain	(498,074)	-	(498,074)	477,291
Change in value - charitable trust	-	(12,420)	(12,420)	13,511
Net assets released from restrictions	<u>1,252,332</u>	<u>(1,252,332)</u>	<u>-</u>	<u>-</u>
Total revenues and gains	<u>1,159,107</u>	<u>735,248</u>	<u>1,894,355</u>	<u>4,647,227</u>
EXPENSES				
Grants and social services	1,317,894	-	1,317,894	2,912,912
Management and general	<u>565,599</u>	<u>-</u>	<u>565,599</u>	<u>834,399</u>
Total expenses	<u>1,883,493</u>	<u>-</u>	<u>1,883,493</u>	<u>3,747,311</u>
INCREASE (DECREASE) IN NET ASSETS	<u>(724,386)</u>	<u>735,248</u>	<u>10,862</u>	<u>899,916</u>
NET ASSETS, BEGINNING OF YEAR				
as previously stated	2,723,060	3,419,928	6,142,988	1,980,509
PRIOR YEAR RESTATEMENT	<u>(55,461)</u>	<u>-</u>	<u>(55,461)</u>	<u>3,262,563</u>
NET ASSETS, BEGINNING OF YEAR, restated	<u>2,667,599</u>	<u>3,419,928</u>	<u>6,087,527</u>	<u>5,243,072</u>
NET ASSETS, END OF YEAR	<u>\$ 1,943,213</u>	<u>\$ 4,155,176</u>	<u>\$ 6,098,389</u>	<u>\$ 6,142,988</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, 2022

DRAFT

WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021

			Totals	
	Grants and Services	Management and General	2022	2021 (Memorandum Only) <i>Restated</i>
Grants and social services	\$ 1,317,894	\$ -	\$ 1,317,894	\$ 2,912,912
Management and general expenses	<u>-</u>	<u>565,599</u>	<u>565,599</u>	<u>834,399</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 1,317,894</u>	<u>\$ 565,599</u>	<u>\$ 1,883,493</u>	<u>\$ 3,747,311</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, 2022

DRAFT

WITH SUMMARIZED COMPARATIVE TOTALS AT JUNE 30, 2021

	<u>2022</u>	<u>2021</u> (Memorandum Only) <i>Restated</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 10,862	\$ 899,916
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities:		
Unrealized loss (gain) on investments	498,074	(477,291)
(Increase) decrease in operating assets:		
Grants receivable	(1,094,709)	(1,122,500)
Prepaid expenses	(500)	500
Contributions receivable	12,420	(13,511)
Accrued interest and dividends receivable	17,221	1,710
Increase (decrease) in operating liabilities		
Accounts payable and accrued payroll	(131,981)	44,487
Grants payable	<u>(1,026,562)</u>	<u>989,929</u>
Net cash (used) provided by operating activities	<u>(1,715,175)</u>	<u>323,240</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment purchases	(1,455,823)	(1,410,165)
Proceeds from the sale of investments	<u>2,339,011</u>	<u>1,290,259</u>
Net cash provided (used) by investing activities	<u>883,188</u>	<u>(119,906)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(831,987)	203,334
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,348,623</u>	<u>1,145,289</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 516,636</u>	<u>\$ 1,348,623</u>

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

DESERT HEALTHCARE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

DRAFT

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 Without Donor Restrictions – Board Designated: These funds represent all resources over which the Board of Directors has discretionary control for use in operating the Foundation. The Board of Directors designated funds were \$1,544,156 and \$1,039,156 as of June 30, 2022 and 2021, respectively.

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 \$4,155,176 and \$3,419,928 at June 30, 2022 and 2021, respectively. (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, 2022 the District allocated to the Foundation related to personnel charges. (See note 7) The value of the on-site facilities is not reflected in these statements, as they do not meet the criteria for recognition.

DESERT HEALTHCARE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

DRAFT

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, 2022 AND 2021

DRAFT

2. IMPLEMENTATION OF ACCOUNTING STANDARDS UPDATE AND PRIOR YEAR RESTATEMENT

FASB issued Accounting Standards Update No. 2018-08 (ASU 2018-08), Not-for-Profit- Entities (Topic 958). The purpose of ASU 2018-08 is to clarify and improve the scope and accounting guidance for contributions received and contributions made. This guidance provides clarification on the definition of exchange transactions with the intention to improve consistency in the treatment of revenue recognition for Not-for-Profit-Entities. Under this guidance contributions received with donor-imposed restrictions limiting the purpose, time or use of contributions are recognized in the period received. The amendment in ASU has been applied on a retrospective basis, increasing donor restricted net assets by \$3,419,928 and decreasing net assets without donor restriction by \$157,365 for a total restatement of total net assets of \$3,262,563, as of June 30, 2020. Additionally, a restatement to correct expenses accrued for but not incurred totaling \$237,946, combined with the implementation of ASU 2018-08 for a net decrease to net assets without donor restriction of \$55,461 for the year ended June 30, 2021.

3. 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).

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. At June 30, 2022 and 2021, all marketable securities are measured at fair value on a recurring basis and were valued at Level 1 inputs. Fair value for marketable securities at June 30, 2022 and 2021 were \$4,181,156 and \$5,617,879 (see Note 4).

4. CASH AND INVESTMENTS

Demand Deposits

The carrying amounts at June 30, 2022, of the Foundation's cash deposits were \$516,636. 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, 2022 AND 2021

DRAFT

4. CASH AND INVESTMENTS – (Continued)

Investments

Investments consisted of the following at June 30:

	2022			2021		
	Cost	Fair Value	Unrealized Gain (Loss)	Cost	Fair Value	Unrealized Gain
Corporate bonds	\$ 1,353,521	\$ 1,264,440	\$ (89,081)	\$ 1,643,690	\$ 1,715,982	\$ 72,292
US Government agencies	639,060	563,611	(75,449)	1,104,883	1,135,924	31,041
Mutual funds	-	-	-	266,476	269,243	2,767
Marketable securities	1,879,958	2,353,105	473,147	1,694,882	2,496,730	801,848
Total investments	\$ 3,872,539	\$ 4,181,156	\$ 308,617	\$ 4,709,931	\$ 5,617,879	\$ 907,948

5. 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, 2022 and 2021 amounted to \$188,389 and \$200,809, respectively, 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, 2022 and 2021 were \$62,367 and \$74,787, respectively.

DESERT HEALTHCARE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

DRAFT

6. NET ASSETS – WITH DONOR RESTRICTIONS

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

	<u>2022</u>	<u>2021</u>
<u>Subject to expenditure for specified purpose:</u>		
Behavioral Health Initiative Collective Fund	\$ 3,297,169	\$ 1,752,356
Pulmonary Services	530,944	558,427
Healthcare Needs of Black Communities	-	525,000
Charitable Remainder Trust	126,022	126,022
West Valley Homelessness Initiative	71,557	73,214
Health Portal	67,117	72,176
CARES/ELC -Administrative Costs	-	237,946
<u>Subject to the passage of time:</u>		
Charitable Remainder Trust	62,367	74,787
Net Assets – with donor restrictions	<u>\$ 4,155,176</u>	<u>\$ 3,419,928</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 \$2,000,000 to the Foundation during the year ended June 30, 2022 to help fulfill their purpose. During the year ended June 30, 2022 the District provided the Foundation with office space and personnel of \$534,792, of which \$366,776 is included in management and general expense and \$168,016 is included in grants and social services expense. During the year ended June 30, 2021, the District provided the Foundation with office space and personnel of \$415,872, which is included in management and general expense.

Grants receivable from the District as of June 30, 2022 amounted to \$2,000,000 and accounts payable to the District in the amount of \$1,083.

DESERT HEALTHCARE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

DRAFT

8. GRANTS PAYABLE

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

<u>Grants</u>	<u>2022</u>	<u>2021</u>
Improving Healthcare Access in Black Communities	\$ 610,000	\$ -
Pulmonary Services	189,337	236,590
One Futures – Black and African American Scholarship	-	155,000
West Valley Homelessness Initiative	22,500	522,500
Other	-	5,000
	<u>821,837</u>	<u>919,090</u>
 <u>COVID-19 Related Grants</u>		
Lideres Campesinas	35,000	200,000
El Sol Neighborhood Education Center	40,305	170,000
Todec Legal Center	48,688	170,000
Alianza Coachella Valley	6,901	131,250
Vision Y Compromiso	-	130,000
Pueblo Unido CDC	-	125,000
Youth Leadership Institute	5,153	91,250
Galilee Center	37,144	85,000
	<u>173,191</u>	<u>1,102,500</u>
 Total grants payable	 <u>\$ 995,028</u>	 <u>\$ 2,021,590</u>
 Grants payable - current	 <u>\$ 795,028</u>	 <u>\$ 1,772,234</u>
Grants payable – long-term	<u>200,000</u>	<u>249,356</u>
	<u>\$ 995,028</u>	<u>\$ 2,021,590</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 October 29, 2020 through March 31, 2022. The agreement was amended in April 1, 2022 to extend the contract term to December 31, 2022 and increase the contract by \$750,000 to a total of \$3,150,000. 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, 2022 AND 2021

DRAFT

8. 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 \$2,063,191 in funding to CBOs in the Coachella Valley and \$521,809 remains to be provided to the CBOs. As part of the subrecipient agreement, the Foundation will receive a total of \$565,000 to cover administrative costs which represents approximately 18% of the funds provided to the CBOs.

9. 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, 2022 are as follows:

Financial assets:	
Cash	\$ 516,636
Investments	4,181,156
Grants receivable	2,217,209
Accrued interest and dividend receivable	-
Contributions receivable – CRT	188,389
Total financial assets	<u>7,103,390</u>
Less financial assets held to meet donor-imposed restrictions:	
Donor-restricted funds (Note 6)	(4,155,176)
Board designated funds (Note 1)	(1,544,156)
Interest in charitable remainder trust (Note 5)	(188,389)
Amount available for general expenditures within one year	<u>\$ 1,215,669</u>

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 4).

10. SUBSEQUENT EVENTS

The Foundation evaluated all potential subsequent events as of November 21, 2022 when the financial statements were authorized and available to be issued. No subsequent events or transactions were identified after June 30, 2022 or as of November 21, 2022 that require disclosure to the financial statements.



DESERT HEALTHCARE
DISTRICT & FOUNDATION

Date: November 16, 2022
To: Finance & Administration Committee
Subject: Recommendation to approve a consulting services agreement with Larry L. Simon, MAI to provide an appraisal of the Park Imperial Condominium Land Lease – NTE \$6,500

Recommendation:

Consideration to approve a consulting services agreement with Larry L. Simon, MAI to provide an appraisal of the Park Imperial Condominium Land Lease – NTE \$6,500

Background:

- The Meiselman Trust and Land Lease, created in 1959, is a 98 year Master Land Lease on Park Imperial Condominium property located at the corner of Vista Chino and Via Miraleste. The lease expires in 2057.
- The District was the beneficiary of the deed to the land and land lease in 1995 when Mr. Meiselman passed away.
- The land lease, paid by the homeowners, is \$15,000 per year. The lease was assigned to Brad Yokum in 2002. Of the \$15,000, the District receives \$9,000.
- The District has been approached by the Park Imperial Condominium Association (PICA) expressing interest in acquiring the land from the District.
- PICA will be providing an offer to purchase the property.
- As a due-diligence process, the District is interested in engaging the completion of the appraisal with a Certified General Appraiser.
- A Certified General Appraiser (CGA) is required due to the complexities of valuation of the land and the land lease.
- After an extensive search, as CGAs are not common in the area, staff has made contact with Larry L. Simon, MAI, who is a CGA.
- The proposed cost to complete the appraisal is \$6,500. Staff confirmed with the District's legal counsel and others that this is a reasonable price due to the complexities of this type of appraisal.
- Included in the packet for your review is the Consulting Services Agreement and the proposal with the scope of work.
- Staff recommends approval of the consulting services agreement with Larry L. Simon, MAI, to provide an appraisal of the Park Imperial Condominium Land Lease – NTE \$6,500

Fiscal Impact:

- \$6,500 expense not included in the FY23 budget.

CONSULTING SERVICES AGREEMENT

This Professional Services Agreement (“Agreement”) is entered into by and between Desert Healthcare District (“District”), a public agency organized and operating pursuant to California Health and Safety Code section 32000 et seq., and Larry L. Simon, MAI, (“Consultant”) as follows:

R-E-C-I-T-A-L-S

1. District would like to retain the professional services of Consultant to provide an appraisal valuation of the Park Imperial Condominium land lease for consideration of sale to the Park Imperial Condominium Association.
2. Consultant is a Certified General Appraiser and possesses extensive experience with real estate appraisals, including land lease appraisals, and is qualified and possesses the knowledge, skill, expertise, necessary to provide the professional services (“Services”) as more specifically outlined in the attached Exhibit “A” (“Consultant Proposal”).

C-O-V-E-N-A-N-T-S

1. CONSULTANT’S SERVICES.

- 1.1 Services. Consultant shall provide all labor, materials, equipment, and incidentals necessary to fully and adequately provide the District with the professional services described in the Consultant Proposal. All Services shall be performed by Consultant to the reasonable satisfaction of the District.
- 1.2 Compliance with Laws. In performing the Services, Consultant shall, at all times comply with all applicable laws, rules, regulations, codes, ordinances, and orders of every kind whatsoever issued, adopted, or enacted by any federal, state, or local governmental body having jurisdiction over the Services.
- 1.3 Performance Standard. Consultant shall perform the Services with efficiency and diligence and shall execute the Services in accordance with the standards of Consultant’s profession, generally described as that degree of skill and care ordinarily exercised by professionals providing similar services as Consultant practicing in California.
- 1.4 District and Foundation’s Representative. For purposes of this Agreement, the District and Foundation’s Representative shall be District’s Chief Executive Officer Conrado Barzaga, located at 1140 North Indian Canyon Drive, Palm Springs, CA 92262. All amendments to this Agreement shall be approved by the District Board.

2. FEES AND PAYMENTS.

2.1 Compensation for Services. For the full and satisfactory performance of the Services, District shall compensate Consultant a Not To Exceed amount of \$6,500, plus customary expenses.

2.2 Payment. The District shall remit payment of \$3,250 (50% retainer), with the balance due, prior to delivery of the appraisal report. The parties shall expeditiously resolve the subject of any disputed amounts by way of negotiation or, if necessary, mediation. Any such dispute shall not relieve Consultant of its obligation to continue diligently performing the Services.

3. TERM; TERMINATION.

3.1 Term. The term of this Agreement shall run from the date this Agreement is fully executed until completion of the appraisal report, estimated to be January 2023, subject to Section 1.3 above or the District's right to terminate sooner for convenience.

3.2 Termination for Convenience. District may, at any time in the exercise of its sole discretion, terminate this Agreement in whole or in part, with or without cause, by providing notice to Consultant of its intention to terminate the Agreement for convenience. So long as Consultant is not in default under this Agreement at the time of such termination, District shall pay Consultant for all Services incurred upto and including the date of termination.

4. INDEPENDENT CONTRACTOR.

District has retained Consultant to provide, and Consultant shall perform, the Services as an independent contractor maintaining exclusive direction and control over its employees; and, no personnel utilized by Consultant to perform the Services are employees of the District.

5. OWNERSHIP OF DOCUMENTS.

All deliverables and other documents generated by Consultant in the performance of the Services, including work papers, work-in-progress, designs, documents, data, ledgers, journals and reports prepared by Consultant as a part of Consultant's Services, excluding certain documents required to be retained by the Consultant in accordance with USPAP, shall belong to and be subject to the sole ownership and use of the District. The provisions of this Paragraph 5 shall survive any termination of this Agreement.

6. INDEMNIFICATION.

Consultant agrees to indemnify and hold the District and Foundation, its governing body, officers, employees, representatives, agents, successors and assigns (collectively the

District/Foundation Indemnities), harmless from and against any and all losses, liabilities, claims, causes of action or costs and expenses of whatever nature or kind, incurred or suffered by the District or the District/Foundation Indemnities including indemnity claims arising by reason of any personal injury of any person or property loss, loss of use, or damage, to the extent the same arise out of or in connection with the negligent act(s) or omission(s), recklessness, or willful misconduct of Consultant, its officers, employees, subcontractors, or representatives, relating to the performance of the services outlined in this Agreement.

7. NOTICE.

All notices to be given under this Agreement shall be in writing and shall be deemed effective upon receipt when personally served or two days after mailing by certified, return receipt requested, to the following addresses:

To: District
Desert Healthcare District
Attention: Conrado Barzaga, Chief Executive Officer
1140 N. Indian Canyon Drive
Palm Springs, California 92262

To: Consultant
Larry L. Simon, MAI
75-153 Spyglass Drive
Indian Wells, CA 92210

8. MISCELLANEOUS PROVISIONS.

8.1 Venue. Venue shall lie only in the federal or state courts nearest to the City of Palm Springs, in the County of Riverside, State of California.

8.2 Modification. This Agreement may not be altered in whole or in part except by a modification, in writing, executed by all the parties to this Agreement.

8.3 Entire Agreement. This Agreement, together with all Schedules attached, contains all representations and the entire understanding between the parties with respect to the subject matter of this Agreement. Any prior correspondence, memoranda, or agreements, whether or not such correspondence, memoranda, or agreements are in conflict with this Agreement, are intended to be replaced in total by this Agreement and its schedules.

8.4 Assignment. Consultant shall not be entitled to assign all or any portion of its rights or obligations contained in this Agreement without obtaining the prior written consent of the District. Nothing in this Agreement shall obligate the District to give such consent. Any purported assignment without the District's consent shall be void.

8.5 Binding Effect. This Agreement shall inure to the benefit of and be binding upon the parties and their respective purchasers, successors, heirs, and assigns.

8.6 Unenforceable Provisions. The terms, conditions, and covenants of this Agreement shall be construed whenever possible as consistent with all applicable laws and regulations. To the extent that any provision of this Agreement, as so interpreted, is held to violate any applicable law or regulation, the remaining provisions shall nevertheless be carried into full force and effect and remain enforceable.

This Agreement is entered into in the County of Riverside, State of California.

“District”:

Desert Healthcare District

By: _____
Conrado Barzaga, CEO

Date: _____

“Consultant”:

Larry L. Simon, MAI

By: _____
Larry L. Simon

Date: _____

LARRY L. SIMON, MAI
Commercial Real Estate Appraiser and Consultant
Member Appraisal Institute

75-153 Spyglass Drive • Indian Wells, CA 92210
O: 760.610.1820 • C: 949.322.6121 • E: simon.appraiser@ gmail.com

November 9, 2022

Via email

cchristensen@dhcd.org

Chris Christensen, CPA
Chief Administration Officer
Desert Healthcare District & Foundation
1140 N. Indian Canyon Drive
Palm Springs, CA 92262

Re: Appraisal Services Proposal/Agreement
Valuation of a Leased Fee Interest of an Approximate 4.39 Net Acre Site
East Side of N. Via Miraleste bordered by Louise Drive to the North
and Vista Chino to the South
Palm Springs, CA 92262
(Assessor's Parcel Nos. 501-150-001 through 053, Riverside County)

Dear Mr. Christensen:

This proposal is submitted to provide real property appraisal services concerning the above-referenced property. It is my understanding that the scope of work is to develop a current market value opinion of the leased fee interest in the remaining lease term of a long-term master lease.

The appraisal will be prepared for Chris Christensen (the "Client"). The intended users of the appraisal are the Client and respective parties. The intended use of the appraisal is for a possible sale of the leased fee interest. The use of the appraisal by anyone other than the stated intended users and for any other use than the stated intended use is prohibited. Further, there is no accountability, obligation, or liability to any third party.

The appraisal, presented in a narrative format, will be prepared in conformity with the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP) and Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute.

The appraisal performed under this Agreement will be subject to all statements, extraordinary and general assumptions, and hypothetical and limiting conditions and other conditions (collectively, "Appraisal Conditions") set forth in the appraisal report. Client agrees that Client will review the Appraisal Conditions upon receipt of the report and that Client's use of the appraisal will constitute acceptance of the Appraisal Conditions. The Appraisal Conditions shall be considered as being incorporated into and forming part of this Agreement with respect to the appraisal in which they are contained and to the services relating to the appraisal.

Any use of or reliance on the appraisal by any party, regardless of whether the use or reliance is authorized or known by Appraiser, constitutes acceptance of, and is subject to, all appraisal statements, limiting conditions and assumptions stated in the appraisal report.

In respect to Limitations of Liability, in no event whatsoever shall either party's liability to the other for damages under this Agreement or any other damages whatsoever taken together exceed ten thousand dollars (\$10,000.00).

The estimated completion date is January 2023. An electronic copy in PDF format will be provided.

The appraisal fee for this assignment is \$6,500.00 payable \$3,250.00 (50% retainer) and the balance due, prior to delivery, of the appraisal report. The appraisal fee pertains only to the completion of the appraisal report. Additional services after the completion of the appraisal report, if needed, relating to updating the value opinion, consultation, expert testimony, travel time, etc., will be billed at the rate of \$250.00 per hour.

It is understood that my compensation for completing this assignment is not contingent upon the development or reporting a predetermined value or direction in value that favors the cause of the Client, the amount of the value opinion, the attainment of stipulated results, or the occurrence of a subsequent event related to the intended use of the appraisals.

The following information is required for completion of the assignment:

- Environmental Site Assessment, if available.
- Letter setting forth the current master ground lease rent being received, i.e., no amendments, and commissions being paid by master ground lessor (Item 17) vs. letter dated 8/21/1995 (page 3).
- Any other information that may bear upon the value of the property.

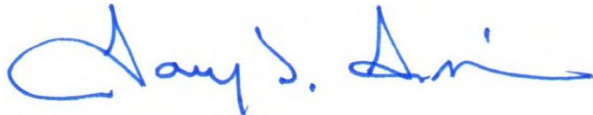
If this proposal meets with your approval, the return of an executed copy of this agreement and a check in the amount of \$3,250.00 will represent my authorization to proceed with the assignment.

Page 3
Chris Christensen
November 9, 2022

This proposal is valid until November 23, 2022.

Thank you for the opportunity to provide this proposal. Should you have any questions concerning this proposal or the subject matter thereto, I may be contacted at (760) 610-1820.

Respectfully submitted,



Larry L. Simon, MAI

Approved By: _____ Date: _____

Name: _____

Phone No.: _____

E-Mail Address: _____

Attachment:

- Professional Qualifications

LARRY L. SIMON, MAI
Commercial Real Estate Appraiser and Consultant
Member Appraisal Institute

75-153 Spyglass Drive • Indian Wells, CA 92210
O: 760.610.1820 • C: 949.322.6121 • E: simon.appraiser@gmail.com

PROFESSIONAL QUALIFICATIONS

Commercial Real Estate Appraiser and Consultant providing a wide range of valuation and consulting services to law firms, accounting firms, financial institutions, private mortgage lenders, municipalities, educational institutions, developers, and private entities throughout Southern California since 1976.

Services

- Current Market Value Opinions
- Retrospective Value Opinions
- Prospective Value Opinions
- Real Estate Damage Value Opinions
- Appraisal Reviews
- Rental Surveys
- Expert Witness
- Litigation Support (Fact Witness /Consulting Expert)

Specialization

- Automobile Dealerships (Existing, Proposed and Remodel)

Professional Membership and License

- MAI Designated Member of the Appraisal Institute – Certificate No. 7217
Southern California Chapter, 1985
- Certified General Real Estate Appraiser, State of California
License No. AG 004310

Education

- California State Polytechnic University, Pomona
Bachelor of Science with a major in Finance, Insurance and Real Estate, 1972

Appraisal Experience

- **Special Purpose:** Automobile Dealerships, Restaurants (Quick Serve and Sit-Down), Bowling Centers, Religious Facilities, Private Schools, Charter Schools, Funeral Homes, Tennis/Fitness/Swim Clubs and Private Clubs.
- **Commercial:** Office (Low to High Rise, Single-and Multi-Tenant), Medical Office, Office Condominiums, Shopping Centers (Neighborhood and Community), Retail (Strip and Free-Standing), Auto Care Centers, Bank Branches, Motels, Hotels, Bed & Breakfast Facilities, Leasehold Interests and Land.
- **Industrial:** Business Parks, Industrial (Single- and Multi-Tenant), Manufacturing, Warehouses, Distribution, Research & Development, Self-Storage Facilities, Truck Terminals, Leasehold Interests and Land.
- **Residential:** Single-Family Homes, Condominium Units, Subdivisions, Condominium/Planned Unit Developments, Apartment Complexes, Manufactured Housing Communities, Mobile Home Parks, RV Parks and Land.
- **Agricultural:** Date and Citrus Orchards, Vineyards, and Row Crop Farmland.

Deposition and Expert Testimony

- Superior Court of California – County of Los Angeles
- Superior Court of California – County of Orange
- Superior Court of California – County of San Diego
- Arbitration – County of Orange

Service Area

- Southern California 10 County Region



Date: November 16, 2022

To: Board of Directors

Subject: Addendum #1 (time extension to December 31, 2024) to the Consulting Services Agreement, Dale E. Barnhart, Facilities Inspector – Hospital Safety and Compliance Inspections

Staff Recommendation: Consideration to approve Addendum #1 (time extension to December 31, 2024) to the Consulting Services Agreement, Dale E. Barnhart, Facilities Inspector – Hospital Safety and Compliance Inspections.

Background:

- At the October 18, 2018, Hospital Lease Oversight Committee meeting, the committee directed Staff to establish an inspection schedule to engage the services of an engineer to conduct quarterly inspections of the Desert Regional Medical Center (DRMC) facilities.
- In January 2019, Staff executed a consulting services agreement through December 2020 between the Desert Healthcare District (DHCD) and Dale Barnhart, the retired Administrative Director of Facilities Management, DRMC, to conduct the quarterly hospital inspections with DRMC personnel, the DHCD Hospital Lease Oversight Committee, and Staff at the billing rate of \$100/hr.
- The current service agreement expires December 31, 2022.
- Staff recommends approval of Addendum #1 extending the termination date to December 31, 2024.

Fiscal Impact:

\$100/hr. – estimated 8 hours per quarter at \$3,200 per year.

**CONSULTING SERVICES AGREEMENT
ADDENDUM #1**

This Professional Services Agreement (“Agreement”) was entered into on June 25, 2021 by and between Desert Healthcare District(Foundation) (“District”), a public agency organized and operating pursuant to California Health and Safety Code section 32000 et seq., and Dale E. Barnhart, (“Consultant”) as follows:

R-E-C-I-T-A-L-S

1. This Addendum extends and revises the termination date in Section 3.1 from December 31, 2022 to December 31, 2024.

2. All other terms and conditions of the original service agreement remain unchanged.

“District”:

Desert Healthcare District

“Consultant”:

Dale E. Barnhart

By: _____
Conrado Barzaga, CEO

By: _____
Dale E. Barnhart

Date: _____

Date: _____

CONSULTING SERVICES AGREEMENT

This Professional Services Agreement (“Agreement”) is entered into by and between Desert Healthcare District (“District”), a public agency organized and operating pursuant to California Health and Safety Code section 32000 et seq., and Dale E. Barnhart (“Consultant”) as follows:

R-E-C-I-T-A-L-S

1. District would like to retain the professional services of Consultant to conduct ongoing quarterly inspections of Desert Regional Medical Center with the District Hospital Governance Oversight Committee Chair and applicable hospital personnel as detailed in a 2-year quarterly inspection schedule and provide comprehensive findings/outcomes reports of the quarterly inspections.

2. Consultant has more than 20 years in hospital facility management and inspections and is qualified and possesses the knowledge, skill, expertise, necessary to provide the professional services (“Services”) as outlined in recital 1.

C-O-V-E-N-A-N-T-S

1. CONSULTANT’S SERVICES.

1.1 Services. Consultant shall provide all labor, materials, equipment, and incidentals necessary to fully and adequately provide the with the professional services described above. All Services shall be performed by Consultant to the reasonable satisfaction of the District.

1.2 Compliance with Laws. In performing the Services, Consultant shall, at all times comply with all applicable laws, rules, regulations, codes, ordinances, and orders of every kind whatsoever issued, adopted, or enacted by any federal, state, or local governmental body having jurisdiction over the Services.

1.3 Performance Standard. Consultant shall perform the Services with efficiency and diligence and shall execute the Services in accordance with the standards of Consultant’s profession, generally described as that degree of skill and care ordinarily exercised by professionals providing similar services as Consultant practicing in California.

1.4 District and Foundation’s Representative. For purposes of this Agreement, the District’s Representative shall be District’s Chief Executive Officer, Conrado Bárzaga, MD, located at 1140 North Indian Canyon Drive, Palm Springs, CA 92262. All amendments to this Agreement shall be approved by the District Board.

2. FEES AND PAYMENTS.

2.1 Compensation for Services. For the full and satisfactory performance of the Services, District shall compensate Consultant an amount of \$100 per hour, plus customary expenses.

2.2 Invoices. Consultant shall deliver monthly invoices to the District no later than the 10th day of each month for Services.

2.3 Payment. The District shall remit payment for all amounts due to Consultant within thirty (30) days after receipt of invoices; provided, however, in the event District disputes any portion of Consultant's invoice, it shall timely pay any undisputed amounts invoiced and notify Consultant within thirty (30) days of its receipt of the invoice of the specifics of any disputed amounts. The parties shall expeditiously resolve the subject of any disputed amounts by way of negotiation or, if necessary, mediation. Any such dispute shall not relieve Consultant of its obligation to continue diligently performing the Services.

3. TERM & TERMINATION.

3.1 Term. The term of this Agreement shall run from the date this Agreement is fully executed until December 31, 2022, subject to Section 1.3 above or the District's right to terminate sooner for convenience. Service agreement may be extended with written agreement of both District and Consultant.

3.2 Termination for Convenience. District may, at any time in the exercise of its sole discretion, terminate this Agreement in whole or in part, with or without cause, by providing thirty (30) days notice to Consultant of its intention to terminate the Agreement for convenience. Consultant may, at any time in the exercise of its sole discretion, terminate this Agreement in whole or in part, with or without cause, by providing thirty (30) days notice to District of its intention to terminate the Agreement for convenience. So long as Consultant is not in default under this Agreement at the time of such termination, District shall pay Consultant for all Services incurred upto and including the date of termination.

4. INDEPENDENT CONTRACTOR.

District has retained Consultant to provide, and Consultant shall perform, the Services as an independent contractor maintaining exclusive direction and control over its employees; and, no personnel utilized by Consultant to perform the Services are employees of the District.

5. OWNERSHIP OF DOCUMENTS.

All deliverables and other documents generated by Consultant in the performance of the Services, including all work papers, work-in-progress, designs, documents, data, ledgers, journals and reports prepared by Consultant as a part of Consultant's Services shall belong to and be subject to the sole ownership and use of the District. The provisions of this Paragraph 5 shall survive any termination of this Agreement.

6. INDEMNIFICATION.

Consultant agrees to indemnify and hold the District, its governing body, officers, employees, representatives, agents, successors and assigns (collectively the District Indemnities), harmless from and against any and all losses, liabilities, claims, causes of action or costs and expenses of whatever nature or kind, incurred or suffered by the District or the District Indemnities including indemnity claims arising by reason of any personal injury of any person or property loss, loss of use, or damage, to the extent the same arise out of or in connection with the negligent act(s) or omission(s), recklessness, or willful misconduct of Consultant, its officers, employees, subcontractors, or representatives, relating to the performance of the services outlined in this Agreement.

7. NOTICE.

All notices to be given under this Agreement shall be in writing and shall be deemed effective upon receipt when personally served or two days after mailing by certified, return receipt requested, to the following addresses:

To: District
Desert Healthcare District
Attention: Chris Christensen, Chief Administration Officer
1140 N. Indian Canyon Drive
Palm Springs, California 92262

To: Consultant
Dale E. Barnhart
78586 Gorham Lane
Palm Desert, CA 92211

8. MISCELLANEOUS PROVISIONS.

8.1 Venue. Venue shall lie only in the federal or state courts nearest to the City of Palm Springs, in the County of Riverside, State of California.

8.2 Modification. This Agreement may not be altered in whole or in part except by a modification, in writing, executed by all the parties to this Agreement.

8.3 Entire Agreement. This Agreement, together with all Schedules attached, contains all representations and the entire understanding between the parties with respect to the subject matter of this Agreement. Any prior correspondence, memoranda, or agreements, whether or not such correspondence, memoranda, or agreements are in conflict with this Agreement, are intended to be replaced in total by this Agreement and its schedules.

8.4 Assignment. Consultant shall not be entitled to assign all or any portion of its rights or obligations contained in this Agreement without obtaining the prior written consent of the District. Nothing in this Agreement shall obligate the District to give such consent. Any purported assignment without the District’s consent shall be void.

8.5 Binding Effect. This Agreement shall inure to the benefit of and be binding upon the parties and their respective purchasers, successors, heirs, and assigns.

8.6 Unenforceable Provisions. The terms, conditions, and covenants of this Agreement shall be construed whenever possible as consistent with all applicable laws and regulations. To the extent that any provision of this Agreement, as so interpreted, is held to violate any applicable law or regulation, the remaining provisions shall nevertheless be carried into full force and effect and remain enforceable.

This Agreement is entered into in the County of Riverside, State of California.

“District”:

“Consultant”:

Desert Healthcare District

Dale E. Barnhart

By: DocuSigned by:
Leticia De Lara
6F6AF73938F14C4
Leticia De Lara, Board President

By: DocuSigned by:
Dale Barnhart
D8B8CD90C22E4FE
Dale E. Barnhart

Date: 5/26/2021

Date: 6/25/2021



DESERT HEALTHCARE
DISTRICT & FOUNDATION

Date: November 16, 2022
To: Finance & Administration Committee
Subject: Recommendation to approve a consulting services agreement with Huron Consulting Group to complete a Coachella Valley Health Assessment – NTE \$95,000

Recommendation:

Consideration to approve a consulting services agreement with Huron Consulting Group to complete a Coachella Valley Health Assessment – NTE \$95,000

Background:

- DHCD’s Strategic Plan highlights the need for a strategic valley-wide understanding of healthcare infrastructure demands. The Plan catalogs this as Goal 1 Strategy 1. *“Develop a healthcare delivery system vision for the Coachella Valley”*
- Staff has met with various consultants and explored an approach that is consistent with the District’s needs at this time.
- Huron Consulting Group offers a cost-effective proposal to the District, utilizing a predictive analytics suite of solutions to understand current and future healthcare demands for the Coachella Valley population, including demand fluctuations due to seasonal residential patterns.
- The proposed work will provide the District with a clear understanding of our healthcare needs; an analysis of the currently available health assets to district residents to identify critical gaps between community demand for services and health district supply; and consolidate short-and long-term recommended initiatives for gap closure, measures of success, and timelines into an actionable strategic plan to spur district development.
- The proposal (see copy enclosed) has been assessed by District staff, District consultants Kaufman-Hall, and District’s Legal Counsel.
- Staff recommends approval of the consulting services agreement with Huron Consulting Group to complete a Coachella Valley Health Assessment Not to Exceed \$95,000.

Fiscal Impact:

- \$95,000 expense not included in the FY23 budget.

Professional Services Agreement

This Professional Services Agreement (“Agreement”) is entered into between Huron Consulting Services LLC, located at 550 W. Van Buren St., Chicago, IL 60607 (“Service Provider”) and the Desert Healthcare District, a California Healthcare District and public agency located at 1140 N. Indian Canyon Road Palm Springs, CA 92262 (“Client”) as of December 1, 2022 (“Effective Date”). The parties agree as follows:

1. Services. (a) Service Provider will provide the services, software, materials, and other items that are outlined in one or more Statements of Work (collectively, “SOWs” or each a “SOW”) incorporating this Agreement by reference, as may be entered into from time to time by the parties named above and their Affiliates (collectively, “Services”). The term “Affiliates” will mean any entity under control of, controlling, or under common control with a party to this Agreement. The term “Statement of Work” will also include any project arrangement letters or engagement letters that incorporate this Agreement by reference.

(b) Service Provider will not perform any Services that may be considered the practice of medicine or nursing or provision of patient care under any applicable laws or regulations. To the extent Services include clinical process recommendations, Client will provide medically appropriate standards that may be referenced by the Service Provider in such recommendations.

(c) To the extent Service Provider assists in the preparation of a financial analysis, such analysis is solely for use by Client management for internal purposes. Services are not designed, nor should they be relied upon, to disclose weaknesses in internal controls, financial statement errors, irregularities, illegal acts, or disclosure deficiencies. Any financial or other model that Service Provider creates as part of the Services will be unique to this engagement, based on specific circumstances and assumptions, and may not be appropriate for use when those circumstances and assumptions change. Financial analyses and similar Service Provider Materials may not be shared with any third party without Service Provider’s prior written consent and may be used only for those purposes expressly described in the corresponding SOW.

(d) Service Provider is not responsible for identifying Client’s violations of laws or regulations.

(e) Service Provider is not a law firm and is not authorized to provide legal advice or counseling in any jurisdiction. Services are not designed, nor should they be relied upon, to provide legal recommendations. The information provided by Service Provider is not substitute for the advice of legal, human resources, or other applicable professionals.

2. Intellectual Property Rights. (a) By providing Service Provider copies of or access to Client Data in connection with a SOW, Client grants Service Provider the right to use and reproduce such Client Data for the sole, limited purpose of performing the Services under this Agreement; *provided*, that Client retains all ownership rights to such Client Data. For purposes of this Agreement, “Client Data” is broadly defined to include all proprietary data, content, or Confidential Information about Client that is provided to Service Provider for purposes of performing the Services under a particular SOW.

(b) By providing Client copies of or access to Service Provider Materials in connection with a SOW, Service Provider grants Client the right to use such Service Provider Materials for Client’s own internal use for the purposes for which such Service Provider Materials are provided, subject to any scope limitations identified in the corresponding SOW; *provided*, that as between Client and Service Provider, Service Provider retains all ownership rights to such Service Provider Materials. Nothing herein prohibits Service Provider from incorporating third party rights in software or other intellectual property into the Service Provider Materials. For purposes of this Agreement, the term “Service Provider Materials” is broadly defined to include anything Client receives from Service Provider or its agents in performance of the Services, including without limitation Service Provider’s proprietary intellectual property and materials (whether or not registerable as a copyright, trademark, or patent), know-how, software (and any modifications, configurations, or enhancements thereof), and trade secrets, but specifically excluding any Client Data to the extent incorporated in the Service Provider Materials.

(c) The rights of use granted under this Section 2 specifically include the right to create derivative works; *provided*, that such derivative works are subject to the same ownership rights, limitations on scope and permitted purposes as applicable to the original work.

(d) Except as otherwise provided under Sections 11(d) and 12(b)(iv), the rights granted under this Section 2 will survive expiration or termination of the corresponding SOW.

3. Fees. (a) Client will pay Service Provider the fees and allowable incurred expenses within 30 days of receipt of an invoice. Such payment will be made via ACH, EHT, or check, in accordance with the terms of the applicable SOW. All amounts that are past due will be subject to a monthly charge of one and one-half percent (1.5%) per month or the maximum rate permitted by the law, whichever is less.

(b) Client will pay all applicable sales, use, excise, value added, services, consumption and other taxes and duties associated with Client's receipt of the Services and Service Provider Materials, excluding taxes on Service Provider's income generally. Client will provide Service Provider with a copy of Client's certificate of tax /exemption, if applicable.

(c) In the event Client requires Service Provider personnel to be physically located on site for a "long-term basis," as defined by the IRS, Client will pay an incremental additional fee in the amount required to gross up such personnel's income to ensure tax neutrality, or at Client's request, the parties can agree to substitute personnel as necessary and available.

(d) If Client requires Service Provider to contract with a third-party vendor to facilitate performance of this Agreement, Client will be responsible for all costs associated with such vendors, unless otherwise agreed by the parties in the corresponding SOW.

(e) Client and Service Provider have determined the fees set forth in this Section 3 (the "Fees") are consistent with the fair market value of Service Provider's services and intended to comply with all applicable Law. Client and Service Provider agree that Service Provider is not in the position to generate patient referrals to Client. For avoidance of doubt, payment of the Fees is not conditioned upon a requirement that the Service Provider make referrals to, be in a position to make or influence referrals to, or otherwise generate business for the Client or any of its Affiliates or a requirement that the Service Provider or any of its Affiliates make referrals to, be in a position to make or influence referrals to, or otherwise generate business for the Client.

4. Client Responsibilities. (a) In order for Service Provider to perform the Services and provide the Service Provider Materials, Client is responsible for the following: (i) accommodating Service Provider with appropriate work space and customary facilities as needed for on-site Services; (ii) ensuring relevant personnel provide full and active support to Service Provider; (iii) providing accurate and complete information upon which Service Provider will rely; (iv) performing Client's own independent review of any third party vendors, services, products, and proposals; and (v) fulfilling such other responsibilities as may be set forth in the particular SOW.

(b) The activities, conclusions, strategies, suggestions, and recommendations that Service Provider develops and implements represent Service Provider's experienced judgment based on the information provided to Service Provider. Client acknowledges that Services are consultative in nature and are offered as suggestions subject to Client's approval. Client is responsible for, without limitation: (a) vetting any third party vendor introduced by Service Provider; Service Provider makes no endorsement of such vendor's services or products, (b) reviewing and approving all work suggested, provided, or undertaken by Service Provider, (c) verifying and determining whether to act on Service Provider's suggestions regarding Client's employees or contactors, and (d) using all Services provided by Service Provider in a manner consistent with all applicable requirements, rules, regulations and laws, including, if applicable, all payer requirements. Client will indemnify and hold harmless Service Provider for any third party claim relating to Client's responsibilities above. When making recommendations under this Agreement, Service Provider will take into account Client's compliance policies and procedures, to the extent provided to Service Provider.

5. Warranty. (a) Service Provider warrants that the Services will be performed with reasonable care in a diligent and competent manner consistent with industry standards. Should the Services not conform to this warranty,

Client must notify Service Provider in writing, within ten (10) days after the Services are performed, specifying the non-conformance in detail. Service Provider will have a reasonable amount of time to correct the non-conformance based on its severity or complexity.

(b) If applicable to the Client receiving Services pursuant to a SOW, Service Provider warrants that neither it nor its personnel providing Services is excluded from any federally funded healthcare programs as provided in Sections 1128 and 1128A of the Social Security Act (42 U.S.C. 1320a-7a), including Medicare and Medicaid. Service Provider will notify Client promptly in the event Service Provider, or any of its personnel or agents performing Services for Client, becomes excluded from any federally funded healthcare programs.

(c) THE WARRANTY SET FORTH IN THIS SECTION IS SERVICE PROVIDER'S ONLY WARRANTY CONCERNING THE SERVICES AND ANY SERVICE PROVIDER MATERIALS AND IS MADE EXPRESSLY IN LIEU OF ALL OTHER WARRANTIES AND REPRESENTATIONS, EXPRESS OR IMPLIED, INCLUDING ANY IMPLIED WARRANTIES OF MERCHANTABILITY, NON-INFRINGEMENT, OR FITNESS FOR A PARTICULAR PURPOSE, OR OTHERWISE, ALL OF WHICH ARE HEREBY DISCLAIMED. SERVICE PROVIDER DOES NOT WARRANT AND IS NOT RESPONSIBLE FOR ANY THIRD-PARTY PRODUCTS OR SERVICES THAT MAY BE OFFERED IN CONJUNCTION WITH THIS AGREEMENT. CLIENT'S SOLE AND EXCLUSIVE RIGHTS AND REMEDIES WITH RESPECT TO ANY THIRD-PARTY PRODUCTS OR SERVICES ARE AGAINST THE THIRD PARTY AND NOT AGAINST SERVICE PROVIDER.

6. Confidentiality. (a) To fulfill the obligations hereunder or in connection with discussions between the parties regarding potential business arrangements, each party may have access to the other party's information and materials that are confidential and proprietary or should reasonably be considered confidential based on subject matter or circumstances of disclosure ("Confidential Information"). The parties agree that Confidential Information will be protected in a reasonable and appropriate manner and used only for the purposes it was provided or as otherwise permitted by the disclosing party.

(b) Service Provider may obtain Confidential Information of third parties in connection with Client's contracts with suppliers, manufacturers and other vendors. Service Provider will maintain the confidentiality of all third-party Confidential Information, use it in a reasonable and appropriate manner, and only to the extent necessary to perform its obligations in this Agreement.

(c) Confidential Information will only be disclosed to the parties' personnel with a need to know and will not be disclosed to third parties except in the event Service Provider engages a subcontractor to assist in performance of the Services and then only to the extent subcontractor agrees in writing to protect Confidential Information.

(d) All Confidential Information, whether original or subsequent copies, made available to one another must be returned or destroyed at the request of the disclosing party. However, the receiving party may retain one archival copy for recordkeeping or quality assurance purposes and will make no unauthorized use of such copy.

(e) The obligations in this Section will not apply to information to the extent it is: (i) publicly known; (ii) already known to the receiving party; (iii) lawfully disclosed by a third party; or (iv) independently acquired or developed without use of Confidential Information of the other party.

(f) Notwithstanding anything to the contrary above, if any judicial, legislative or administrative body or taxing authority requests or threatens to compel disclosure of Confidential Information, then unless otherwise legally prohibited, the receiving party will promptly notify the disclosing party and will comply with reasonable requests of the disclosing party (at disclosing party's expense) to assist disclosing party in obtaining a protective order and to prevent or minimize the disclosure of any Confidential Information. The receiving party may then disclose Confidential Information only if, and to the extent, required by law or applicable regulation.

(g) Neither party will be deemed in violation of the obligations in this Section to the extent disclosing Confidential Information in connection with potential disclosures under subsection (f) above, to representatives or advisors, who are subject to obligations of confidentiality.

7. Personally Identifiable Information. (a) To the extent Service Provider has access to personally identifiable information, Service Provider agrees to use such information only for the purpose of this Agreement and as Client directs.

(b) Client and Service Provider will comply with all applicable laws relating to privacy and the protection of personally identifiable information.

8. Protected Health Information. To the extent Service Provider is deemed a “Business Associate” of Client in accordance with the Health Insurance Portability and Accountability Act (“HIPAA”), a Business Associate Agreement will set out the terms and conditions of the use and disclosure of such protected health information.

9. Access to Billing Books and Records. If applicable, each party will comply with the requirement of Section 1861(v)(1)(I) of the Social Security Act, as amended, and any written regulations pursuant thereto, governing the maintenance of documentation to verify the cost of Services rendered as follows: (i) Until the expiration of four (4) years after the furnishing of Services, Service Provider agrees to make available, upon written request of the Secretary of the U.S. Department of Health and Human Services, the U.S. Comptroller General, or to any of their duly authorized representatives, this Agreement, and our books, documents and records that are necessary to support the nature and extent of the costs incurred by Client in purchasing Services under this Agreement; (ii) if Service Provider subcontracts any duties arising from this Agreement with a value or cost of \$10,000 or more with a related party, such subcontract will contain a clause to the effect of the foregoing sentence; (iii) as used herein, “related party” includes any party employed or controlled by Service Provider, any party by whom Service Provider is employed or controlled, and any party with whom Service Provider develops a close association or affiliation. Service Provider will notify Client promptly of any requests received for access to information described in this Section and will consult with Client regarding the response to be made.

10. Term and Termination. (a) This Agreement will remain in effect until terminated as permitted by this Section 10 (“Term”).

(b) A party may terminate this Agreement or a particular SOW early without cause upon thirty (30) days’ advance written notice to the other party, or earlier if agreed by the parties.

(c) A party may terminate this Agreement or a particular SOW for cause if the other party materially breaches the terms of this Agreement and fails to cure such breach within thirty (30) days of receiving written notification of such breach, or as otherwise agreed by the parties.

(d) The termination becomes effective on the last day of the advance notice period required above, or such other date as agreed by the parties (the “Termination Date”).

11. Effect of Termination. (a) The terms of this Agreement will continue to govern any existing SOW(s) until such SOW terminates or expires.

(b) If a SOW is terminated for convenience by either party, Client will pay Service Provider for all Services rendered, Service Provider Materials provided, expenses incurred, contingent fees earned (if applicable), termination fees (if applicable), or commitments made by Service Provider through the Termination Date in accordance with the SOW.

(c) If a SOW is terminated for cause by Client, Client will pay Service Provider for all conforming Services rendered, Service Provider Materials provided, and reasonable expenses incurred through the Termination Date in accordance with the SOW.

(d) If a SOW is terminated for cause by Service Provider, all rights granted to Client in such SOW for continued use of the Services and the Service Provider Materials under Section 2 will terminate as of the Termination Date.

(e) If a SOW expires or is terminated for any reason, all license rights or other rights granted to Client in such SOW for access to software or online resources will be extinguished contemporaneously with the termination unless other valid terms exist between Client and Service Provider governing such rights.

(f) The following rights and obligations expressly survive termination of this Agreement: (i) payment for Services rendered, (ii) confidentiality, (iii) indemnification, and (iv) any other provision intended by its express terms or by its nature and context to survive the Term of this Agreement.

12. Indemnification. (a) To the extent permitted by law, each party (each, an “Indemnifying Party”) will hold harmless and indemnify the other, its parent and affiliated companies and their respective officers, directors, employees, contractors, and agents (each, an “Indemnified Party”) against any and all direct loss, liability, damage, or expense (“Claim”), including actual attorneys’ fees reasonably incurred, for breach of confidentiality, injury or death of any person, and damage to real or tangible personal property of the Indemnified Party arising out of or in connection with willful misconduct or negligent acts or omissions of the Indemnifying Party’s employees, contractors, or agents, regarding the performance of, receipt of, and use of, the Services provided. However, neither party will be indemnified for any Claim to the extent resulting from its negligence or willful misconduct. The Indemnifying Party will have the right to participate in the defense of any Claim at its own expense.

(b) To the extent permitted by law, each party will defend, indemnify, and hold harmless the Indemnified Party against any third-party claim arising from the Indemnifying Party’s violation of any U.S. copyright, trademark, patent or other U.S. intellectual property rights, so long as the Indemnified Party gives the Indemnifying Party prompt written notice of such a claim. Client agrees to promptly notify Service Provider of any intellectual property rights infringement claim and, as Service Provider requests, Client will cooperate in the defense of such claim. For any claim that Service Provider Materials infringe a third party’s U.S. intellectual property right, Service Provider may, at its option, (i) modify such Service Provider Materials to cure the intellectual property right infringement; (ii) procure for Client the right to continue using the Service Provider Materials pursuant to this Agreement; (iii) provide an alternative means of offering the Service Provider Materials; or (iv) terminate access to the infringing Service Provider Materials until such claim is resolved.

(c) The parties acknowledge and agree that from time to time the parties may be subject to subpoenas or other legal requests for production as a result of the relationship created by this Agreement, including requests made in connection with litigation or other dispute, governmental hearings, investigation or other administrative actions (the “Proceedings”). In such event, the party subject to such Proceedings shall indemnify, defend, and hold harmless the other with respect to all costs incurred and claims resulting from the Indemnified Party’s response to or compliance with any such subpoena, document request, or similar order.

13. Limitation of Liability. a. NEITHER PARTY SHALL BE LIABLE TO THE OTHER FOR ANY TYPE OF DAMAGES FOR ANY AND ALL CLAIMS, IN AGGREGATE, IN EXCESS OF THE AMOUNT OF SERVICE PROVIDER’S FEES UNDER THE APPLICABLE SOW FROM WHICH THE CAUSE OF ACTION AROSE.

b. NEITHER PARTY SHALL BE LIABLE TO THE OTHER FOR ANY PUNITIVE OR EXEMPLARY DAMAGES OR LOSS, OR ANY LOST PROFITS, SAVINGS OR BUSINESS OPPORTUNITY, SPECIAL, CONSEQUENTIAL, INCIDENTAL, OR INDIRECT DAMAGES.

14. Equitable Relief. Service Provider is entitled to equitable relief, including without limitation, injunctive relief and specific performance, in the event of a breach or threatened breach of the confidentiality obligations and licenses granted to Client in this Agreement and its attachments or SOWs. Service Provider may seek equitable relief in addition to all other remedies available at law or in equity without the requirement to prove actual damages.

15. Force Majeure. (a) Neither party shall be liable hereunder by reason of any failure or delay in the performance of its obligations hereunder (except for payment obligations) on account of strikes, shortages, riots, insurrection, fires, flood, storm, explosions, acts of God, war, governmental action, labor conditions, earthquakes, material shortages or any other cause that is beyond the reasonable control of such party (“Force Majeure Event”).

(b) Upon occurrence of a Force Majeure Event, the non-performing party shall promptly notify the other party of occurrence of that Force Majeure Event, its effect on performance, and how long that party expects it to last.

During a Force Majeure Event, the nonperforming party will use reasonable efforts to limit damages to the performing party and to resume its performance under this Agreement.

16. Suspension. Service Provider reserves the right to suspend Services in the event of non-payment, breach of rights to use Service Provider Materials or confidentiality obligation, or other material breach. In the event of suspension, Service Provider will not be liable for any resulting loss, damage, or expense connected with such suspension. Service Provider will continue to comply with the applicable Business Associate Agreement during any suspension.

17. Non-Solicitation. Because of Service Provider's significant investment in its highly skilled workforce, during the term of the corresponding SOW, and for a period of one year following its expiration or termination, Client will not directly or indirectly solicit, employ, or otherwise engage a person who participated in the Services on behalf of Service Provider; provided, that this restriction shall not apply to any general solicitation for employees (including through the use of employment agencies) not specifically directed at any such persons, and Client shall not be restricted in hiring any such person who responds to any such general solicitation.

18. No Relationship, Limited Authority. (a) Nothing in this Agreement creates any special relationship between the parties, such as a partnership, joint venture, franchise, or employee/employer relationship.

(b) Neither party will have the authority to, and will not, act as agent for or on behalf of the other party or represent or bind the other party in any manner. However, if it is appropriate in the provision of Services that Service Provider review and analyze confidential information of a third party related to contracts between Client and its suppliers, manufacturers or other vendors, Client hereby designates Service Provider as its representative and agent as necessary for such limited purpose.

19. Client Policies. If Service Provider personnel are required to comply with Client policies, and Service Provider's policies conflict with Client policies, the parties will work to determine an appropriate solution to ensure that Service Provider's personnel will not be subject to conflicting policies.

20. Personnel. Service Provider retains the right to assign and reassign its personnel, as appropriate, to perform the Services.

21. Reference. Client agrees that Service Provider may refer to Client as a recipient of the Services.

22. Foreign Taxes. (a) If Client is required by the laws of any foreign tax jurisdiction to withhold income or profit taxes from payment to Service Provider, then the amount payable by Client upon which the withholding is based, will be paid to Service Provider net of such withholding. Client will pay any such withholding to the applicable tax authority.

(b) However, if after 120 days of the withholding, Client does not provide Service Provider with official tax certificates documenting remittance of the taxes, Client will pay Service Provider an amount equal to the withholding. The tax certificates must be in a form sufficient to document qualification of the taxes for the foreign tax credit allowable against Service Provider's corporation income tax.

23. Assignment. Each party may, without the prior written consent of the other party, assign this Agreement to a successor-in-interest or to an entity that acquires all or substantially all of such party's assets in connection with a merger, consolidation, or acquisition, provided however, that the scope of any SOW will remain limited to the facilities, usage limits, affiliates or number of users, as applicable, identified in such SOW and will not be expanded due to any assignment of this Agreement as described above. Notwithstanding the foregoing, Service Provider may require successors for the Client to provide written affirmation to Service Provider of Client's obligations under this Agreement and any SOWs.

24. Waiver. No waiver of any breach of any provision of this Agreement shall constitute a waiver of any prior, concurrent or subsequent breach of the same or any other provisions hereof. No term of this Agreement will be deemed waived, and no breach of this Agreement excused, unless the waiver or consent is in writing signed by the party granting such waiver or consent.

25. Modification. This Agreement supersedes all prior oral and written communications between the parties with respect to the subject matter of this Agreement, and may be amended, modified or changed only in a writing signed by both parties.

26. Dispute Resolution. (a) This Agreement is governed by and construed in accordance with the laws of the State of Illinois without giving effect to conflicts of law rules.

(b) Any controversy or claim arising out of or relating to this Agreement or any breach thereof will be settled by binding arbitration administered by the American Arbitration Association in accordance with its Commercial Arbitration Rules. Any arbitration will be conducted in Riverside County, California. Any arbitration award may be entered in and enforced by any court having jurisdiction thereof, and each party consents and commits itself to the jurisdiction of the federal and state courts located within the State of Illinois for purposes of enforcement of any arbitration award. Except as may be required by law, neither party nor an arbitrator may disclose the existence, content, or results of any arbitration hereunder without the prior written consent of both parties. Each party will bear its own costs for any dispute, including attorneys' fees.

(c) Notwithstanding the foregoing, the parties will in good faith and for thirty (30) days attempt to resolve any dispute or disagreement arising out of or relating to this Agreement by face-to-face negotiations between an authorized representative of each party. Neither party, however, will be required to pursue this informal dispute resolution process in the event of a dispute regarding an alleged payment, a breach of confidentiality obligations or a violation of intellectual property rights if the party has reason to believe that the delay caused by the informal dispute resolution process would materially harm it.

27. Notice. All notices or demands required hereunder shall be in writing and will be served by nationally recognized overnight courier service and will be deemed delivered on the date that the overnight shipping company registers delivery to the appropriate party at the address stated in the SOW, his or her successor, or other designee or officer of the party with a copy to: General Counsel, Huron Consulting Services LLC, 550 West Van Buren St., 17th floor, Chicago, IL 60607.

28. Counterparts. Provided that the parties execute a copy of the Agreement, the Agreement may be executed in counterparts, each of which will be deemed an original and all of which together will constitute one and the same instrument. Execution and delivery by electronic means will be deemed legal, valid and binding.

29. Entire Agreement, Binding Effect. This Agreement, together with the applicable SOW, constitutes the entire understanding between the parties and is intended as the complete and exclusive statement of the agreement between the parties with respect to the Services. Except as set forth in this Agreement, this Agreement supersedes all other understandings, agreements, and documents with respect to the subject matter hereof, including any preprinted terms and conditions on any acknowledgment, price quote, quote receipt confirmation, purchase order, invoice or other document. Any additional or different terms in Client's documents are hereby deemed to be material alterations and notice of objection to and rejection of them is hereby given.

(b) If the terms of this Agreement are inconsistent with the terms of any particular SOW, the terms of such SOW will control.

(c) If any portion of this Agreement is held invalid, such invalidity will not affect the validity of the remaining portions of the Agreement and the parties will substitute for any such invalid portion, a provision that best approximates the effect and intent of the invalid provision.

(d) The provisions of this Agreement will be binding upon and inure to the benefit of the respective successors and permitted assigns of the parties.

Signature Page Follows.

HURON CONSULTING SERVICES LLC

DESERT HEALTHCARE DISTRICT

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

DRAFT



PROFESSIONAL SERVICES STATEMENT OF WORK

This is a Professional Services Statement of Work (“SOW”) to the Professional Services Agreement dated **TBD**, (“Agreement”) between Huron Consulting Services LLC, a Delaware limited liability company with an office located at 550 West Van Buren Street, Chicago, IL 60607 (“Service Provider”, “we”, “us”, “our”) and the Client identified in the box below (“Client”, “you”, “your”).

This SOW is entered into as of **TBD** (the “Effective Date”). This SOW and the Professional Services Agreement (collectively, the “Agreement”), sets forth the Services to be provided by Service Provider to Client for the fees set forth herein. By signing this SOW, Client agrees to be bound by this Agreement. Any capitalized terms used but not defined herein shall have the meaning given in the Professional Services Agreement. Any capitalized terms used herein shall have the meaning given in this Professional Services Agreement.

In consideration of the mutual promises set forth in this SOW, the parties agree as follows:

Name of Client: Desert Healthcare District	Contact Name: Dr. Conrado Barzaga
Address: 1140 N Indian Canyon Drive, Palm Springs, CA 92262	Contact Phone and Email Address:

Objectives and Scope

The objective of the project is to provide the Desert Healthcare District detailed insights into their market including population health trends, gaps in care, patient migration patterns, and overall community health needs.

Services

Service Provider will provide data extracts and insights based on the following parameters:

The study group of patients as identified within the Palm Springs, California CBSA (Core Based Statistical Area). We will provide a one year Share of Care report for patients within the identified market. Additionally, we will analyze patient migration patterns to see all subsequent visits for next site of care after they receive clinical services within the Healthcare District (Patient Track Report). The data will be provided by Unique Patients, Total Visits, and Charges for each output format.

Due to the unique population shifts driven by temporary residents in the winter months, data will be segmented further by calendar date as needed to compare care patterns of full-time residents against care needs of the seasonal residents.

Deliverables

Service Provider will provide the following deliverables in support of the overall project objectives:

1. Report on overall community physician needs, based on the service area population compared to blended national benchmarks
 - a. Report will be broken out by provider service lines (e.g., primary care, medicine, surgery)
 - b. Report will identify gaps in local healthcare supply as compared to blended benchmarks based on current service area resources

2. Report on the overall market share and position of Desert Healthcare District clinical providers and facilities.
 - a. The client will provide relevant information to inform report parameters including service area zip codes, provider/organization NPI numbers, and specialty or service line definitions to insure report relevance
 - b. Report will compare top service lines of Healthcare District clinical resources compared to local competitors, trended over time as needed
3. Report on patient migration patterns for patients seeking subsequent care after a clinical encounter within the Desert Healthcare District.
 - a. Results will track patient migration to other local or out of town health systems to determine out of market movement
 - b. Results will be segmented by key markets, organizations, providers, and specialties
 - c. Results will be segmented by calendar date to account for seasonal population shifts
 - d. Results will be presented by number of patients, visits, or charges as necessary
4. Consumer Segmentation Analysis
 - a. Report will identify local consumer segments based on zip code and census block
 - b. Report will focus on both demographic and psychographic profiles on key consumer segments and market locations, based on proximity to Desert Healthcare District resources and relevance to the overall district mission
5. Roadmap Forward
 - a. Service Provider will deliver a comprehensive roadmap based on all the data extracts, related findings, and working/vetting sessions with the client
 - b. Roadmap will include recommended initiatives and related sequencing to act on the insights generated from the analysis described above

Client Responsibilities

In connection with this engagement, Client will perform the tasks, furnish the personnel, provide the resources, and undertake the responsibilities specified below:

- Client will designate an employee or employees within its senior management who will make or obtain all management decisions with respect to this engagement on a timely basis.
- Client will provide Service Provider with further information, as needed, to ensure the assumptions stated herein are accurate and complete.
- Client will cause all levels of its employees and contractors to cooperate fully and timely with Service Provider. Service Provider will be entitled to rely on all of Client's decisions and approvals and Service Provider will not be obligated to evaluate, advise on, confirm, or reject such decisions and approvals.
- To maximize the value of Service Provider's work and to keep the project moving on schedule, Client agrees to comply with all of Service Provider's reasonable requests and to provide Service Provider timely access to all information and locations reasonably necessary to perform the services.

The successful delivery of services, and the fees charged, are dependent on (i) Client's timely and effective completion of its responsibilities, (ii) the accuracy and completeness of any assumptions, and (iii) timely decisions and approvals by Client's management. Client will be responsible for any delays, additional costs, or other liabilities caused by any deficiencies in the assumptions or in carrying out Client's responsibilities.



Professional Services and Fees. (Note these are estimated fees based upon previous discussions and are subject to change based on scoping decisions made by the Client)

Professional Services	Fees
Claims Based Market Analysis Extracts	\$25,000
Market Clinical Need & Consumer Segmentation Extracts	\$20,000
Insight Generation & Consulting Support	\$50,000
Additional Ad-Hoc Data Requests	\$250.00 Per Hour

Service Provider will invoice Client within 30 days of the Effective Date. All invoices are due 30 days from the date of invoice.

Desert Healthcare District

Comprehensive Assessment & Strategic Plan



Contents

1. Our Understanding
2. About Huron
3. Our Approach

Understanding &
About Us



Our Understanding

Background and key areas of focus for the Desert Healthcare District

1. We understand the Desert Healthcare District is looking to **assess the healthcare needs of your residents**, focused on identifying key disease states, patient migration trends, and provider outcomes and referral patterns to help triangulate and **prioritize actionable interventions**.
2. In addition to understanding community healthcare needs, the combined analyses should incorporate the detailed insights **focused on current district medical services** including hospital capacity, specialty beds, and available sites of care.
3. This analysis will be leveraged to **identify current gaps in the care** available to district residents, map high opportunity healthcare assets (i.e., clinics or healthcare providers), and will be used as the basis for recommendations and strategic plan development to ensure district residents have convenient access to comprehensive care options.

Why Huron



Huron's proprietary **Perception Health market intelligence platform, the premier healthcare insights tool**, leverages data from more than 30 billion healthcare claims to inform decisions and actions that improve patient care and outcomes, helping to quantify the value of the recommended changes to both the county and the market.

We are the only healthcare-focused management consulting firm that offers **depth and breadth across all facets of operations** – from revenue cycle, to cost, to technology, to strategy – and are uniquely positioned to bring our capabilities together in a customized way.



With our proven assessment and implementation methodology, we have **helped our clients save more than \$3.5B** to reinvest in their future over the past three years.

We are grounded by our values in everything we do

Collaboration

Excellence

Humility

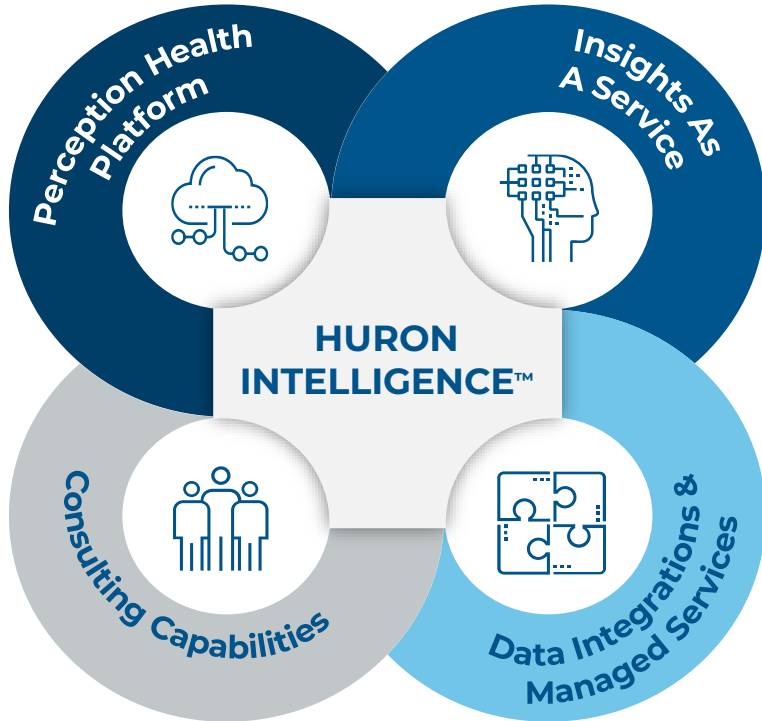
Impact

Inclusion

Integrity

Intellectual Curiosity

Perception Health & HURON INTELLIGENCE™



Problems We Solve For



Referral Management



Managing Chronic Conditions in At Risk Populations



Retaining Share of Care



Service Line Profitability



Understanding Health Equity and SDoH



Amplified Consumerism



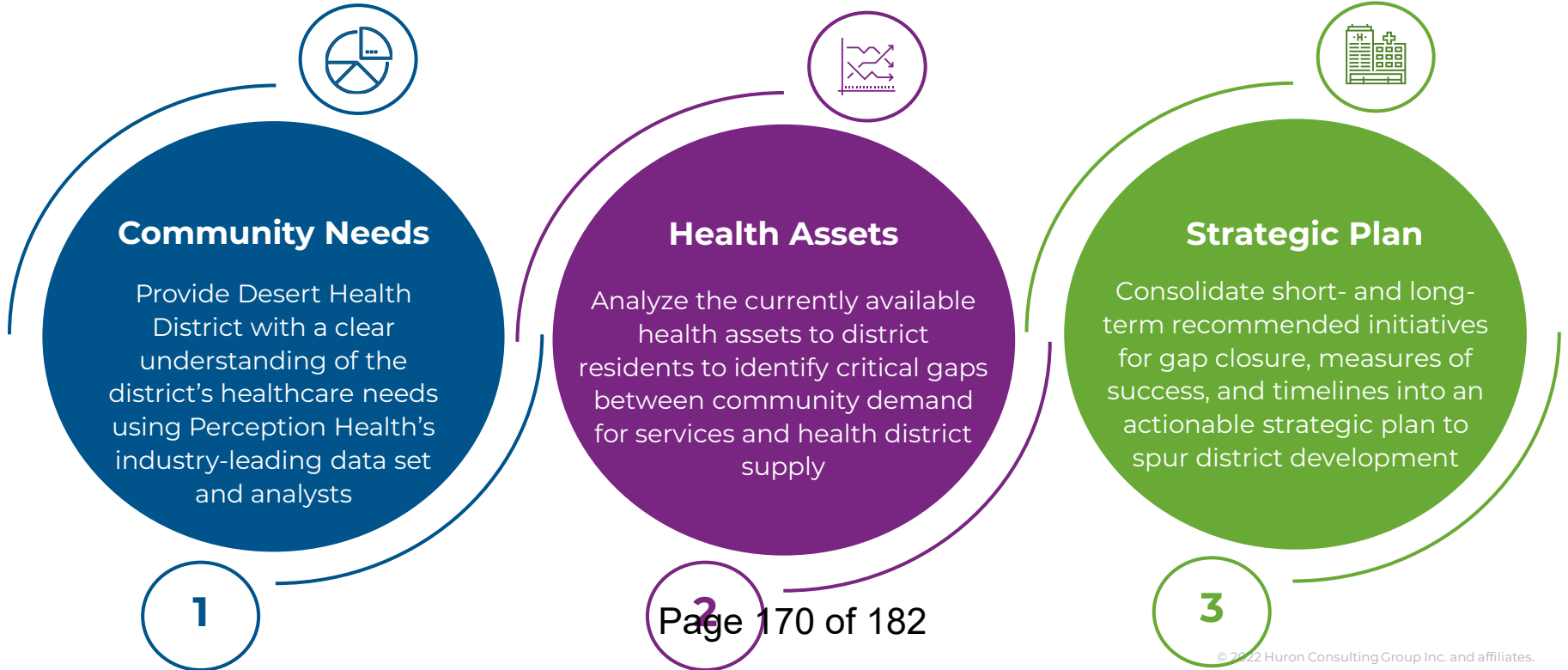
Shifting Care Environments



Staff Burn Out

How Huron Can Help

We are proposing three workstreams to meet your objectives:



2

Our Data & Proposed Activities



The Data in the Platform

- Over **30 billion** healthcare claims
 - **6.2 million** providers
 - **290 million** unique patient lives
 - **8 million** claims added nightly from Claims Clearinghouses
 - **100%** of Medicare claims four months after the close of each quarter
- Spans the continuum of care
 - Includes but not limited to hospitals, clinics, physician offices, home health, skilled nursing facilities, rehab, lab, imaging, telehealth, home, ambulatory surgical centers, urgent care, hospice, durable medical equipment

- ✓ Data is captured at the claim line-level
- ✓ Data is not modeled or synthetically generated
- ✓ Data contains a unique, de-identified patient ID to create a secure longitudinal record of care across providers, networks and payors
- ✓ Data provides claims coverage spanning Commercial, Medicare/Medicaid Advantage, and Medicare

Key Use Cases



Reduce Network Leakage

Easily visualize physician referral patterns, assess the volume and revenue impact of splitters and prioritize physician engagement for business development and executive outreach.



Personalize Screening

Compare the historical healthcare claims of people in your community to 50+ disease prediction models to identify those at risk of a diagnosis in the next 12 months.



Strategically Model Growth

Identify trends in volume and charges across local providers while assessing the risk of disease diagnoses in a population to assess fee-for-service, bundled payment and risk-based contract opportunity.



Network Design and Monitoring

Providers success in treating diseases by their performance in 5 key dimensions: Volume, Outcomes, Charges, Access and Loyalty to create the optimal care pathway for patients.



Site Selection / M&A

Identify prime locations to build, acquire or partner for services based on the current and future needs of the population.

Key Activities

Huron and Perception Health will analyze Desert Health District's healthcare needs through the following key activities:

- **District Supply Baseline:** Review of local healthcare capacity. Review to include outpatient clinics, inpatient beds, and provider counts by service line.
- **Community Clinical Needs Assessment:** Assessment of district clinical needs including total number of physicians by service line and inpatient hospital beds requirements.
- **Community Profile Development:** Detailed analysis of Desert Health District community including proximity and access to existing healthcare sites, key consumer demographic and psychographic profiles, and overall community clinical and social care gaps.
- **Site Capacity & Service Mix Recommendations:** Combine the documented community needs and existing resource analysis to create recommendations for closing existing care gaps within the district, as well as specific capacity targets and future state service line mix recommendations

Estimated Timeline: Dependent on desired level of detail and client provision of key data inputs, we estimate these activities can be completed in approximately **8-12 weeks**.

Key Activity #1: Healthcare Supply

Baseline total healthcare resources currently available to the residents of Desert Healthcare District and identify common patient journeys that highlight unmet care needs (e.g., patients leaving the area for specialized care)

Current Facility Sizes, Occupancy, Growth Rates, Bed Types

Hospital	Beds	Occupancy	Leakage	Annual Growth	
Facility 1	66	59.9%	0.0%	1.0%	
Facility 2	58	55.0%	94.1%	1.2%	
Facility 3	BED TYPE		NUMBER BEDS	TOTAL DAYS	UTILIZATION RATE
	Routine Service		281	73,963	72.1 %
Facility 4	Intensive Care Unit		44	9,167	57.1 %
	Surgical Intensive Care Unit		7	1,922	75.2 %
Total Acute		332	90,694	69.8 %	

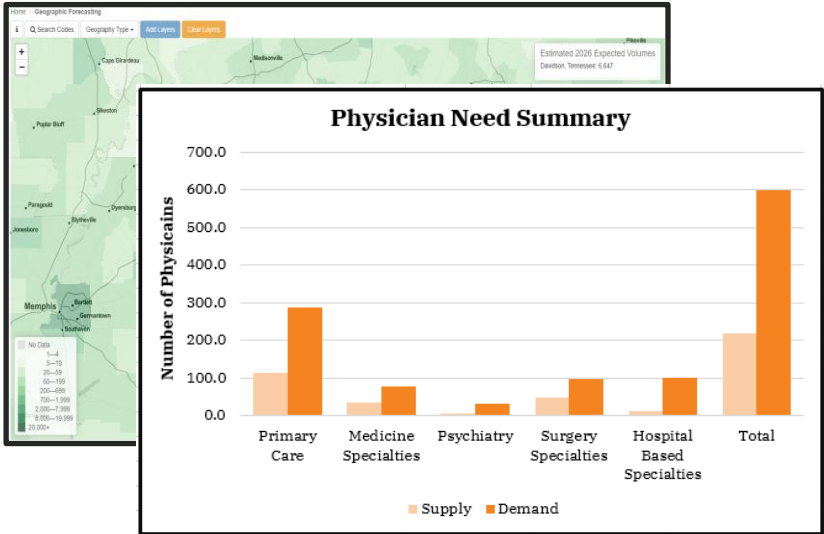
Mapping Patient Journeys, Across Health Systems and Specialties



Key Activity #2: Community Needs

Assess total care (i.e., clinical and social) needs of district residents

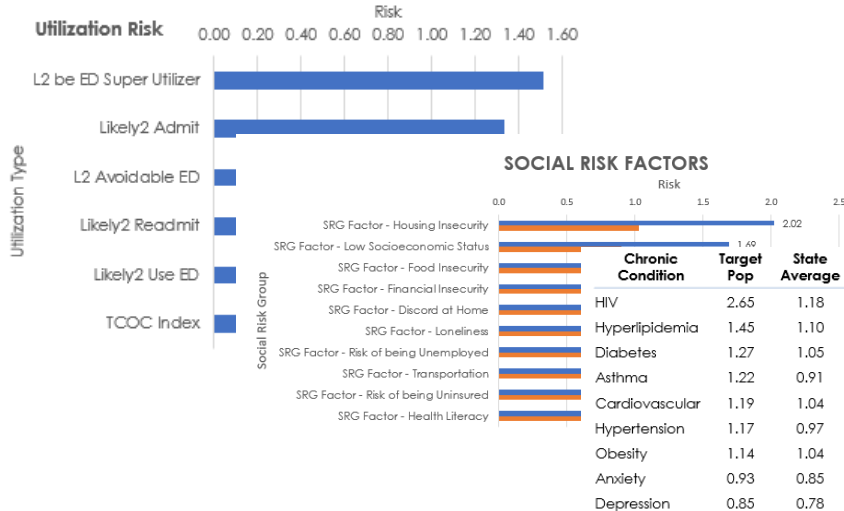
Clinical Needs



We can provide a forecasting analysis by utilizing the procedure code search function to find five-year projections for the relevant procedure codes within any geographical location within the continental U.S.

We can combine this forecast along with current state physician needs and bed capacity summaries compare what resources exist today against what will be needed tomorrow

Social Risks

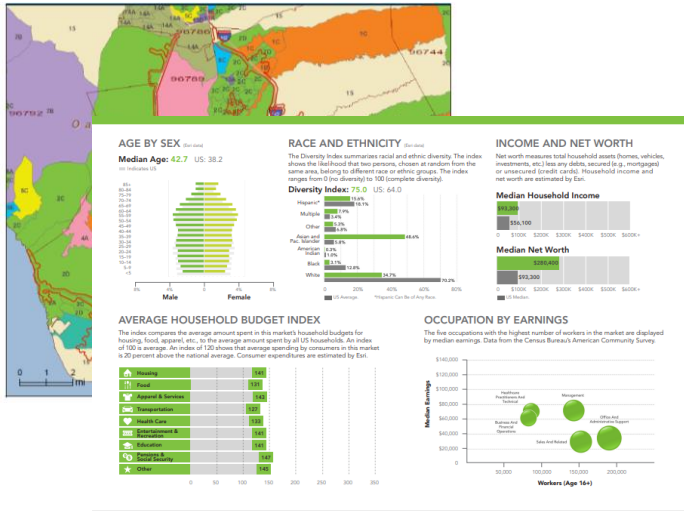


We can also score the social risks of a target population and present the greatest social risks in the market alongside the most prevalent chronic conditions and use of high cost/high capacity health resources (e.g., Emergency Departments) to demonstrate the impact of unaddressed social determinants of health.

Key Activity #3: Local Community Profile

Perform a localized analysis of the surrounding community within a 15 minute* drive of key healthcare locations

Consumer Demographic & Psychographic Profiles (15-minute radius)

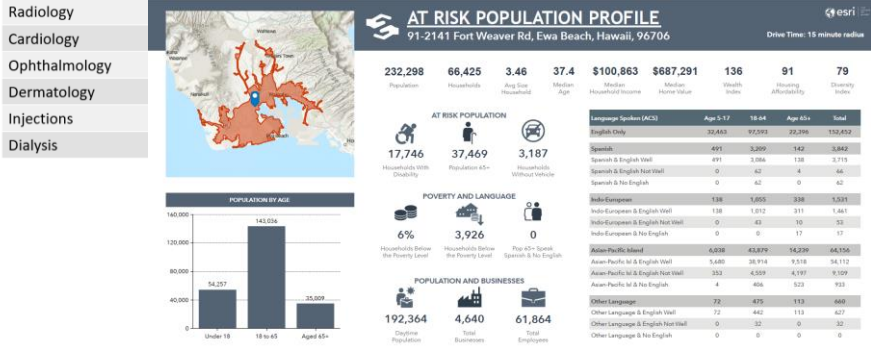


Clinical Services and Social Risk Summary (15-minute radius)

Top Service Lines – 15 Minute Drive Time

The table below shows the top service lines, based on procedure codes, being performed by billing providers in the 15 minute drive time.

Service Line	Procedures	Charges
Evaluation and Management	164,696	\$42,576,853
Pathology and Laboratory	158,971	\$22,203,387
Physical Medicine and Rehabilitation	61,432	\$4,423,982



*Note: Drive time radius can be adjusted based on project needs and desired reach of the new facility

Key Activity #4: District Recommendations

Combine the results of Key Activities 1 – 3 to provide detailed recommendations for the next evolution of local healthcare services

The final deliverable of the engagement will leverage the findings from the other workstreams to provide clear guidance on:

- **Future state hospital capacity**, including number of beds by type (e.g., med/surg, ICU, psych)
- **Future state service line mix** – Which services/specialties most closely align with the needs of the surrounding community?
- **Growth opportunities** – Which current facilities/providers should the Desert Healthcare district partner with to drive growth and utilization within the district?
- **Key Disease States** – Which disease states is the county population trending towards based on their historic care pathways and care consumption?

DRAFT

Conrado E. Bárzaga MD
Chief Executive Officer
Desert Healthcare District
1140 N. Indian Canyon Drive
Palm Springs, CA 92262

Dear Conrado,

Thank you very much for the opportunity to assist the Desert Healthcare District (“The District”) as it evaluates how best to meet the healthcare needs of the Coachella Valley in the coming years. The purpose of this letter is to describe the services I will provide to the District and the terms of the engagement.

Proposed Services

Pursuant to this engagement, I will:

- Work with District management and legal advisers to gain a good understanding of the District’s current strategic, operational and financial situation
- Review any recent community needs assessments that the District may have conducted
- Review any current appraisal of the Desert Regional Medical Center (“DRMC”) that the District may have commissioned
- Review any documents provided to the District by Tenet Healthcare, the current lessee of DRMC, describing Tenet’s strategic vision for DRMC and the Coachella Valley
- Provide comment and advice, as requested by District management, on these strategic and financial documents
- Assist the District in designing a process that will inform the Board’s deliberations on the role of the District within the healthcare system of the Coachella Valley
- Conduct other related activities as requested and agreed

Compensation

My fee for providing the above services will be \$750 per hour of work. I will provide an invoice monthly, detailing hours worked on the engagement the prior month. Given the broad nature of the engagement, it is difficult to give a meaningful estimate of hours that the engagement will require. However, I will provide notice to the District if my time exceeds 10 hours in any week. The District or I may terminate this engagement at any time for any reason. Upon the termination of the engagement, I will deliver a final invoice for any hours of work since the invoice date prior to termination.

I do not anticipate that the engagement will require significant travel. However, the District may require my attendance at meetings in Palm Springs from time to time. Any travel time shall be billed at \$375 per hour and all my out-of-pocket travel expenses, including air, hotel and meals shall be reimbursed by the District. Beyond any such travel expense, I anticipate that I will incur very few out of pocket expenses in delivering the above services. However, I will bill any such expenses on a monthly basis, and will provide receipts, if requested. Furthermore, I will not incur expenses exceeding \$250 in any month without the prior approval of the District.

DRAFT

Thank You,

Steven Hollis
10 Mesa Avenue
Piedmont, CA 94611

Signed and accepted on behalf of Desert Healthcare District

Conrado E. Bárzaga, MD
Chief Executive Officer

Date



October 26, 2022

Desert Healthcare District
Board of Directors
1140 N Indian Canyon Drive
Palm Springs, CA 92262

Dear District Board Members:

The attached capital expenditure requests are being included pursuant to Sections 3.5 and 15.5(a) of the Lease Agreement (as amended). Pursuant to the terms of the Lease we anticipate that each of the projects will have a net book value greater than \$1,000,000 (subject to CPI adjustments) upon the termination of the Lease. Based upon historical and projected CPI adjustments, the forecasted approval threshold at the termination of the lease is expected to be approximately \$2,400,000.

Given the anticipated net book value we are required to obtain your prior approval in order for each of these projects to be treated as a Termination Asset upon the expiration of the Lease. Upon the expiration or termination of the Lease, Section 15.5(a) provides that the District may repurchase these Termination Assets at the net book value. Please let us know if you approve these projects for purposes of Section 3.5 and Section 15.5(a) of the Lease.

Sincerely,

Michele Finney
Group CEO
Desert Care Network

Accepted and agreed to as of the date set forth above:

DESERT HEALTHCARE DISTRICT

By: _____
Name: _____
Title: _____

Capital Request: Cardiac Cath Lab #1 and Cardiac Cath Lab #3

Project Description:

This request is part of the planned replacement of both Cardiac Cath Labs, inclusive of Cardiac Cath Lab #1 and Cardiac Cath Lab #3. This request is for all major equipment products, minor equipment necessary for contingency operations, all associated construction, and professional fees.

Projected Construction Expense:

Total anticipated project expense of \$4,551,679

Cath Labs 1 & 3 Replacement	Total
Professional Fees	244,200
Permits	78,000
Construction	2,645,073
Equipment/Furniture	1,347,566
Tests and Inspections	65,000
Real Estate Administration	62,901
Capitalized Interest	108,939
Total Project Cost Estimate:	\$ 4,551,679

Project Rationale:

The existing General Electric Innova 3100 Cath Lab was installed more than fourteen years ago in 2008. Over the past few years, the Cardiac Cath lab has been experiencing significant service issues. Additionally, the existing older technology lacks the image resolution and small parts definition for complex cardiac procedures. The limitations of our existing Cardiac Cath Lab imaging systems has further resulted in limited access to cardiac catheterization services to the community. By upgrading the cath labs, we anticipate providing the community with state-of-the-art technology in order to enhance cardiac care delivery.

Project Process:

The equipment age, service history, and limitations in functionality have been reviewed with the DRMC Medical Staff and more specially all Interventional Cardiologists, who have recommended the best course of action to be replacement of Cardiac Cath Lab #1 & #3. The required Architectural and Engineering (A&E) plans have already been completed and are in final stages of approval with The California Department of Health Care Access and Information. Construction is expected to be completed in eleven (11) months of approval.

Anticipated Book Value at Termination of current DRMC Lease (May 2027): \$3,069,902 (est.)

Capital Request: El Mirador Cooling Tower

Project Description:

This request is part of the planned replacement of the cooling tower on the El Mirador Medical Office Building (“MOB”)

Projected Construction Expense:

Total anticipated project expense of \$3,366,889

El Mirador Cooling Tower	Total
Professional Fees	-
Permits	-
Construction	3,286,500
Equipment/Furniture	-
Tests and Inspections	-
Real Estate Administration	50,000
Capitalized Interest	30,389
Total Project Cost Estimate:	\$ 3,366,889

Project Rationale:

The existing cooling tower supports the cooling for the majority of the El Mirador Medical Office Building. The existing unit has recently had some failures that are not able to be repaired and which has provided interruption in cooling capabilities to the building. This uncertainty has impacted the entire building including the Cancer Center and the ambulatory surgery center.

Project Process:

For this project, we are utilizing the same mechanical contractor (Active Air Control) that completed a previous installation of a new chiller on the same roof at El Mirador. The project is complex and requires one of the largest cranes in Southern California to place the unit. Given their previous experience with the building, we have selected this contractor to complete installation and limit any risks associated with business interruption.

Anticipated Book Value at Termination of current DRMC Lease (May 2027): \$2,776,738 (est.)