DESERT HEALTHCARE DISTRICT & FOUNDATION

# DESERT HEALTHCARE DISTRICT
# SPECIAL MEETING OF THE BOARD OF DIRECTORS
## Board of Directors
## November 21, 2022
## 5:30 P.M.

**In accordance with new authorization signed by the Governor – Executive Order N-17-21 on September 16, 2021 - (AB 361 - Government Code 54953 effective until January 1, 2024), which extends the provisions of the Governor's Executive Order N-29-20 of March 12, 2020, revised on March 18, 2020, and Board-approved Resolution #21-03 on September 26, 2021, teleconferencing will be used by the Board members and appropriate staff members during this meeting.**
**In lieu of attending the meeting in person, members of the public can participate by webinar by using the following link:**
**https://us02web.zoom.us/j/81762611251?pwd=WWMySnhhRUxSNnJKUjVrcHlKcm16UT09**
**Password: 482000**
**Participants will need to download the Zoom app on their devices. Members of the public may also be able to participate by telephone, using the follow dial in information:**
**(669) 900-6833 or Toll Free (833) 548-0282 to Listen and Address the Board when called upon:**
**Webinar ID: 817 6261 1251**
**Password: 482000**

**You may also email ahayles@dhcd.org with your public comment no later than 3 p.m., Monday, 11/21**

| ***Pages*** | **AGENDA**<br>*Any item on the agenda may result in Board Action* | ***Item Type*** |
|---|---|---|
| | **A. CALL TO ORDER –** President Borja<br>Roll Call<br>Director De Lara____Director Zendle, MD____<br>Director Rogers, RN____Director Shorr____<br>Secretary Zavala____Vice-President PerezGil____President Borja | |
| | **B. PLEDGE OF ALLEGIANCE** | |
| 1-2 | **C. APPROVAL OF AGENDA** | **Action** |
| | **D. PUBLIC COMMENT**<br>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 Board has a policy of limiting speakers to no more than three minutes.** The Board cannot take action on items not listed on the agenda. Public input may be offered on agenda items when they come up for discussion and/or action. | |

## E. STUDY SESSION – FY 2022 AUDIT REPORTS

1. FY 2022 Audit Reports – District & RPP **Action**
   - 3-11 a. Communication Letter & Internal Controls Report
   - 12-54 b. District Audit Report
   - 55-74 c. Retirement Protection Plan Audit Report
   - 75-103 d. Desert Healthcare Foundation & A-133 Single Audit (Informational Purposes Only, Approval during the Desert Healthcare Foundation meeting)

## F. IMMEDIATE ISSUES AND BOARD COMMENTS

## G. ADJOURNMENT

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 a disability which requires an 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 72 hours prior to the meeting.

Andrea S. Hayles

Andrea S. Hayles, Board Relations Officer

DESERT HEALTHCARE
DISTRICT & FOUNDATION

Date: November 21, 2022

To: Board of Directors

Subject: Coachella Valley Accounting & Auditing – FY2022 Audit Reports – District & RPP

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**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:**

- At the October 11, 2022, 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 November Committee for review, followed by the presentation of the audit reports at a November special Board meeting.
- The modified language was provided to the Committee members.
- At the November 16, 2022 F&A Committee meeting, the Committee reviewed and approved the audit reports and recommended forwarding to the Board of Directors for consideration of approval.
- 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.

## 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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**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.

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**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

**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.

**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.

**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

**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.

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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.

**Table A**

| | 6/30/2022 | 6/30/2021 | Change |
|---|---|---|---|
| **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.

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**DESERT HEALTHCARE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 2022 AND 2021**

**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

| | 6/30/22 | 6/30/21 | Change |
|---|---|---|---|
| **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** | $ 10,043,343 | $ 9,085,760 | $ 957,583 |
| **Expenses:** | | | |
| Grants program | $ 4,024,467 | $ 4,048,655 | $ (24,188) |
| Administrative Expense | 3,568,209 | 2,993,310 | 574,899 |
| **Total Expense** | $ 7,592,676 | $ 7,041,965 | $ 550,711 |
| Nonoperating Income(Expenses) | $ (2,101,135) | $ 5,451,975 | (7,553,110) |
| **Net Income (Loss)** | $ 349,533 | $ 7,495,770 | $ (7,146,237) |

**DESERT HEALTHCARE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 2022 AND 2021**

**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 |

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**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**

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| | 2022 | 2021 |
|---|---|---|
| **ASSETS** | | |
| **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 | 22,467,998 | 32,638,113 |
| **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 | 56,100,565 | 44,883,691 |
| **DEFERRED OUTFLOWS** | | |
| Deferred Outflows of Resources | | |
| Pension plan | 836,699 | 494,388 |
| Total deferred outflows of resources | 836,699 | 494,388 |
| **TOTAL ASSETS** | 79,405,262 | 78,016,192 |
| **LIABILITIES** | | |
| **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 | 7,568,813 | 4,872,729 |
| **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 | 3,585,187 | 5,058,802 |
| **DEFERRED INFLOWS** | | |
| Deferred Inflows of Resources | | |
| Pension plan | 492,802 | 675,732 |
| Total deferred inflows of resources | 492,802 | 675,732 |
| **TOTAL LIABILITIES** | 11,646,802 | 10,607,263 |
| **NET POSITION** | | |
| Net investment in capital assets | 11,518,194 | 11,454,569 |
| Unrestricted | 56,240,266 | 55,954,359 |
| **TOTAL NET POSITION** | $ 67,758,460 | $ 67,408,928 |

(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**

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| | 2022 | 2021 |
|---|---|---|
| **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 | 10,043,343 | 9,085,760 |
| **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 | 7,592,676 | 7,041,965 |
| Income from operations | 2,450,667 | 2,043,795 |
| **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) | (272,545) | 5,431,255 |
| Total nonoperating income (loss) | (2,101,135) | 5,451,975 |
| Increase in net position | 349,532 | 7,495,770 |
| **NET POSITION** | | |
| Beginning of year | 67,408,928 | 59,913,158 |
| End of year | $ 67,758,460 | $ 67,408,928 |

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

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

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| | 2022 | 2021 |
|---|---|---|
| **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 | 4,407,031 | 2,478,088 |
| **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 | (739,303) | (644,197) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Net investment sales (purchases) - net | (4,744,422) | 746,141 |
| Net cash provided (used) by investing activities | (4,744,422) | 746,141 |
| Net increase (decrease) in cash | (1,076,694) | 2,580,032 |
| **CASH AND CASH EQUIVALENTS** | | |
| **BEGINNING OF YEAR** | 10,193,578 | 7,613,546 |
| **END OF YEAR** | $ 9,116,884 | $ 10,193,578 |

-Continued-

(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 |

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

## 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) *Restated* |
| **ASSETS** | | |
| **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 |
| **LIABILITIES AND NET ASSETS** | | |
| **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

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| | 2022 | 2021 (Memorandum Only) *Restated* |
|---|---|---|
| **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 | (12,420) | 13,511 |
| **TOTAL SUPPORT AND REVENUE** | 1,894,355 | 4,647,227 |
| **DEDUCTIONS** | | |
| Grants and services | 1,079,948 | 3,150,858 |
| Management and general | 565,599 | 834,399 |
| **TOTAL EXPENSES** | 1,645,547 | 3,985,257 |
| **INCREASE IN NET POSITION** | 248,808 | 661,970 |
| **NET POSITION, BEGINNING OF YEAR as previously stated** | 5,905,042 | 1,980,509 |
| **PRIOR YEAR RESTATEMENT** | (55,461) | 3,262,563 |
| **NET ASSETS, BEGINNING OF YEAR, restated** | 5,849,581 | 5,243,072 |
| **NET POSITION, END OF YEAR** | $ 6,098,389 | $ 5,905,042 |

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

## 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.

## 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.

## 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.

## 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.

## 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.

## 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.

## 3. CASH AND INVESTMENTS – Continued

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

| Authorized Investment Type | Maximum Maturity | Maximum Percentage of Portfolio | Maximum Investment in One Issuer |
|---|---|---|---|
| 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 |

| Authorized Investment Type | Maximum Maturity | Maximum Percentage of Portfolio | Maximum Investment in One Issuer |
|---|---|---|---|
| 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 |

## 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

| | | Remaining Maturity (in Months) | | | | |
|---|---|---|---|---|---|---|
| Investment Type | Carrying Amount | 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 | $60,739,111 | $15,474,454 | $ 6,478,244 | $37,604,698 | $ 92,783 | $ 1,088,932 |

*Held by Foundation

As of June 30, 2021

| | | Remaining Maturity (in Months) | | | | |
|---|---|---|---|---|---|---|
| Investment Type | Carrying Amount | 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 | $59,260,003 | $24,933,363 | $13,762,874 | $ 5,281,187 | $13,568,948 | $ 1,713,631 |

*Held by Foundation

## 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

| | | | | Rating as of Fiscal Year End | | | |
|---|---|---|---|---|---|---|---|
| Investment Type | Carrying Amount | Minimum Legal Rating | Exempt From Disclosure | 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

| | | | | Rating as of Fiscal Year End | | | |
|---|---|---|---|---|---|---|---|
| Investment Type | Carrying Amount | Minimum Legal Rating | Exempt From Disclosure | 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

## 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.

## 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

| | | Fair Value Measurement Using | | |
|---|---|---|---|---|
| Investments by fair value | Total | Quoted Prices in Active Markets For Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| 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 | - | - |
| | $ 60,739,111 | $ 60,739,111 | $ - | $ - |

As of June 30, 2021

| | | Fair Value Measurement Using | | |
|---|---|---|---|---|
| Investments by fair value | Total | Quoted Prices in Active Markets For Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| 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 | - | - |
| | $ 59,260,003 | $ 59,260,003 | $ - | $ - |

## 4. CAPITAL ASSETS

Business-Type Activities

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

June 30, 2022

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

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

June 30, 2021

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

**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:

| | 2022 | 2021 |
|---|---|---|
| Contribution receivable – charitable remainder trusts | $ 188,389 | $ 200,809 |

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.

## 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:

| | **Board Members** |
|---|---|
| Benefit types provided | Medical and dental |
| Duration of benefits | Lifetime |
| Dependent coverage | Yes |
| District contribution % | 100% |
| District cap | None |

## 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:

| | |
|---|---|
| *Inflation* | 2.75 percent |
| *Investment return/discount rate* | 3.50 percent net of expenses. Based on the Bond Buyer 20 Bond Index |
| *Healthcare cost trend rates* | 4.00 percent |
| *Payroll increase* | 2.75 percent |
| *The mortality assumptions* | 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 | $ 67,364 |
| Changes for the fiscal year | |
| Benefit payments | (21,400) |
| Write off remaining liability | (45,964) |
| Net changes | (67,364) |
| Balance at June 30, 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.

## 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.

## 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:

| | 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 |
| Total Employees Covered | 154 | 154 |

## 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.<br>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. |

## 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".

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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 | - |

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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)***
*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:

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

## 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:

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

## 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.

# REQUIRED SUPPLEMENTAL INFORMATION

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# DESERT HEALTHCARE DISTRICT

## REQUIRED SUPPLEMENTAL INFORMATION

## JUNE 30, 2022

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

| Measured Period | 6/30/2022 | 6/30/2021 | 6/30/2020 | 6/30/2019 |
|---|---|---|---|---|
| **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)** | $ - | $ - | $ 67,364 | $ 87,973 |
| **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)** | $ - | $ - | $ - | $ - |
| Net OPEB Liability - Ending (a) - (b) | $ - | $ - | $ 67,364 | 87,973 |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 0.00% | 0.00% | 0.00% | 0.00% |
| Covered - Employee Payroll | N/A | N/A | N/A | N/A |
| Net OPEB Liability as Percentage of | N/A | N/A | N/A | N/A |

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***

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|
| 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** | 80,652 | (5,880,277) | 1,078,687 | (158,097) | 248,333 | (3,349,646) | 1,389,735 | (423,807) |
| **Total pension liability - beginning** | 3,507,940 | 9,388,217 | 8,309,530 | 8,467,627 | 8,219,294 | 11,568,940 | 10,179,205 | 10,603,012 |
| **Total pension liablity - ending (a)** | 3,588,592 | 3,507,940 | 9,388,217 | 8,309,530 | 8,467,627 | 8,219,294 | 11,568,940 | 10,179,205 |
| **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 | (717,134) | 531,009 | (129,943) | (275,927) | (154,339) | 3,419,935 | (481,018) | (251,351) |
| Plan fiduciary net position - beginning | 5,314,972 | 4,783,963 | 4,913,907 | 5,189,834 | 5,344,173 | 1,924,238 | 2,405,256 | 2,656,607 |
| Plan fiduciary net position - ending (b) | 4,597,838 | 5,314,972 | 4,783,963 | 4,913,907 | 5,189,834 | 5,344,173 | 1,924,238 | 2,405,256 |
| **Net pension (asset) liability - ending (a) - (b)** | $ (1,009,246) | $ (1,807,032) | $ 4,604,254 | $ 3,395,623 | $3,277,793 | $ 2,875,121 | $ 9,644,702 | $ 7,773,949 |
| 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.

# DESERT HOSPITAL RETIREMENT PROTECTION PLAN

## PALM SPRINGS, CALIFORNIA

## INDEPENDENT AUDITOR'S REPORT, FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

## JUNE 30, 2022 AND 2021

## 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

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**DESERT HOSPITAL RETIREMENT PROTECTION PLAN**

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

| | 2022 | 2021 |
|---|---|---|
| **ASSETS** | | |
| 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 | 2,989,543 | 3,524,051 |
| Total investments | 4,385,763 | 5,168,497 |
| Interest and dividends receivable | 6,866 | 7,125 |
| Total assets | 4,605,218 | 5,323,734 |
| **LIABILITIES** | | |
| Accrued trustee fees | 7,380 | 8,762 |
| **NET POSITION RESTRICTED FOR PENSION** | $ 4,597,838 | $ 5,314,972 |

(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

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| | 2022 | 2021 |
|---|---|---|
| **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 | (491,776) | 903,604 |
| Total additions to assets | (512,520) | 1,160,972 |
| **DEDUCTIONS FROM NET ASSETS** | | |
| Distributions of benefits to participants | 172,220 | 596,263 |
| Administrative expenses | 32,394 | 33,700 |
| Total deductions from assets | 204,614 | 629,963 |
| **NET (DECREASE) INCREASE** | (717,134) | 531,009 |
| **NET POSITION AVAILABLE FOR BENEFITS:** | | |
| **BEGINNING OF YEAR** | 5,314,972 | 4,783,963 |
| **END OF YEAR** | $ 4,597,838 | $ 5,314,972 |

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

## 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.

## 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.

## 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:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| Investment Type | 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 | 2,617,647 | 2,989,543 | 2,343,952 | 3,524,051 |
| Investments total | 3,850,268 | 4,385,763 | 3,659,729 | 5,168,497 |
| Total cash and investments | $ 4,062,857 | $ 4,598,352 | $ 3,807,841 | $ 5,316,609 |

## 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 | $ 4,385,763 | $ 3,600,795 | $ 300,432 | $ - | $ 49,116 | $ 435,420 |

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 | $ 5,168,497 | $ 4,330,563 | $ 51,639 | $ 319,428 | $ - | $ 466,867 |

## 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

| | | | | Rating as of Fiscal Year End | | | |
|---|---|---|---|---|---|---|---|
| Investment Type | Carrying Amount | Minimum Legal Rating | Exempt From Disclosure | 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 | $ 4,385,763 | | $ 99,699 | $ 148,138 | $ 393,308 | $ 193,779 | $ 3,550,839 |

As of June 30, 2021

| | | | | Rating as of Fiscal Year End | | | |
|---|---|---|---|---|---|---|---|
| Investment Type | Carrying Amount | Minimum Legal Rating | Exempt From Disclosure | 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 | $ 5,168,497 | | $ 155,830 | $ 209,298 | $ 508,744 | $ 133,328 | $ 4,161,297 |

**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 Invt 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.

## 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:

| | | Fair Value Measurement Using | | |
|---|---|---|---|---|
| Investment by fair value | Total | 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 | $ - |

**4. CASH AND INVESTMENTS – (Continued)**

Fair Value Measurements – (Continued)

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

| | | Fair Value Measurement Using | | |
|---|---|---|---|---|
| Investment by fair value | Total | 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 | $ 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 | $ 5,168,497 | $ 3,810,030 | $ 1,358,467 | $ - |

**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. |

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## 5. ACTUARIAL ASSUMPTIONS – (Continued)

| | |
|---|---|
| Retirement | Actives- 100% retirement at age 65.<br>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<br>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.

## 6. NET PENSION (ASSET) LIABILITY OF THE PLAN

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

| | 2022 | 2021 |
|---|---|---|
| **Total pension liability:** | | |
| 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)** | $ 3,588,592 | $ 3,507,940 |
| **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)** | $ (1,009,246) | $ (1,807,032) |
| **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.

## 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% |

## 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.

## SUPPLEMENTARY INFORMATION

**DESERT HOSPITAL RETIREMENT PROTECTION PLAN**

**SCHEDULE OF FUNDING PROGRESS**

**JUNE 30, 2022 AND 2021**



| 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.

**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**

# 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

**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

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**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

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| 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 | | $ 1,481,551 | * |
| **Total U.S. Department of Health and Human Services** | | | | |
| | **Total Expenditures of Federal Awards** | | $ 1,481,551 | |

** 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)

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**DESERT HEALTHCARE FOUNDATION**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2022**

## 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

### 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:

| Program Name | CFDA# |
|---|---|
| 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**

## 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

**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.

# 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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## 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.

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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 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 financials 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

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## WITH SUMMARIZED COMPARATIVE TOTALS FOR JUNE 30, 2021

| | Totals | |
|---|---|---|
| | 2022 | 2021 (Memorandum Only) *Restated* |
| **ASSETS** | | |
| **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 |
| **LIABILITIES AND NET ASSETS** | | |
| **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)

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**DESERT HEALTHCARE FOUNDATION**

**STATEMENT OF ACTIVITIES**
**FOR THE YEAR ENDED JUNE 30, 2022**

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

| | | | Totals | |
|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | 2022 | 2021 (Memorandum Only) *Restated* |
| **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 | 1,252,332 | (1,252,332) | - | - |
| Total revenues and gains | 1,159,107 | 735,248 | 1,894,355 | 4,647,227 |
| **EXPENSES** | | | | |
| Grants and social services | 1,317,894 | - | 1,317,894 | 2,912,912 |
| Management and general | 565,599 | - | 565,599 | 834,399 |
| Total expenses | 1,883,493 | - | 1,883,493 | 3,747,311 |
| **INCREASE (DECREASE) IN NET ASSETS** | (724,386) | 735,248 | 10,862 | 899,916 |
| **NET ASSETS, BEGINNING OF YEAR as previously stated** | 2,723,060 | 3,419,928 | 6,142,988 | 1,980,509 |
| **PRIOR YEAR RESTATEMENT** | (55,461) | - | (55,461) | 3,262,563 |
| **NET ASSETS, BEGINNING OF YEAR, restated** | 2,667,599 | 3,419,928 | 6,087,527 | 5,243,072 |
| **NET ASSETS, END OF YEAR** | $ 1,943,213 | $ 4,155,176 | $ 6,098,389 | $ 6,142,988 |

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

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# DESERT HEALTHCARE FOUNDATION

## STATEMENT OF FUNCTIONAL EXPENSES
## FOR THE YEAR ENDED JUNE 30, 2022

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

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

(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

## WITH SUMMARIZED COMPARATIVE TOTALS AT JUNE 30, 2021

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| | 2022 | 2021 (Memorandum Only) *Restated* |
|---|---|---|
| **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 | (1,026,562) | 989,929 |
| Net cash (used) provided by operating activities | (1,715,175) | 323,240 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Investment purchases | (1,455,823) | (1,410,165) |
| Proceeds from the sale of investments | 2,339,011 | 1,290,259 |
| Net cash provided (used) by investing activities | 883,188 | (119,906) |
| **NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS** | (831,987) | 203,334 |
| **CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR** | 1,348,623 | 1,145,289 |
| **CASH AND CASH EQUIVALENTS, END OF YEAR** | $ 516,636 | $ 1,348,623 |

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

## 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.

## 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.

## 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.

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## 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 2021were $62,367 and $74,787, respectively.

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## 6. NET ASSETS – WITH DONOR RESTRICTIONS

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

| | 2022 | 2021 |
|---|---|---|
| Subject to expenditure for specified purpose: | | |
| 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 |
| Subject to the passage of time: | | |
| Charitable Remainder Trust | 62,367 | 74,787 |
| Net Assets – with donor restrictions | $ 4,155,176 | $ 3,419,928 |

## 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.

## 8. GRANTS PAYABLE

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

| Grants | 2022 | 2021 |
|---|---|---|
| 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 |
| | 821,837 | 919,090 |
| COVID-19 Related Grants | | |
| 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 |
| | 173,191 | 1,102,500 |
| Total grants payable | $ 995,028 | $ 2,021,590 |
| Grants payable - current | $ 795,028 | $ 1,772,234 |
| Grants payable – long-term | 200,000 | 249,356 |
| | $ 995,028 | $ 2,021,590 |

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.

## 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 | 7,103,390 |
| 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 | $ 1,215,669 |

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.