



**DESERT HEALTHCARE FOUNDATION  
SPECIAL MEETING OF THE BOARD  
Board of Directors  
November 21, 2022  
6:30 P.M.**

**Immediately Following the Adjournment of the Desert Healthcare District Board Meeting**

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 #21-04 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=WWMySnhhRUxSNnJKUjVrcHIKcm16UT09>

**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:

**Dial in: (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](mailto:ahayles@dhcd.org) with your public comment no later than 4 p.m., Tuesday, 11/21.

<i>Page(s)</i>	<i>AGENDA</i>	<i>Item Type</i>
<i>Any item on the agenda may result in Board Action</i>		

**A. CALL TO ORDER – President Borja**

Roll Call

Director De Lara\_\_\_\_Director Zendle, MD\_\_\_\_

Director Rogers, RN\_\_\_\_Director Shorr\_\_\_\_

Secretary Zavala\_\_\_\_Vice-President PerezGil\_\_\_\_President Borja

<b>1-2</b>	<b>B. APPROVAL OF AGENDA</b>	<b>Action</b>
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**C. PUBLIC COMMENT**

At this time, comments from the audience may be made on items not listed on the agenda that are of public interest and within the subject-matter jurisdiction of the Foundation. 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.



- 3-35**
- D. FY 2022 AUDIT REPORTS**
1. Desert Healthcare Foundation & A-133 Single Audit **Action**

**E. 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, [ahayles@dhcd.org](mailto:ahayles@dhcd.org) or call (760) 567-0298 at least 72 hours prior to the meeting.

*Andrea S. Hayles*

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Andrea S. Hayles, Board Relations Officer



Date: November 21, 2022

To: Board of Directors

Subject: Coachella Valley Accounting & Auditing – FY2022 Audit Reports –  
Foundation and Single Audit

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**Staff Recommendation:** Consideration to approve the FY2022 Audit reports for the Desert Healthcare Foundation and the Single Audit.

**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 2<sup>nd</sup> 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 F&A Committee meeting, 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 in advance of the meeting.
- 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 Desert Healthcare Foundation and Single Audit.

**Fiscal Impact:**

NA



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

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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.

DRAFT

**DESERT HEALTHCARE FOUNDATION**

**PALM SPRINGS, CALIFORNIA**

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

**JUNE 30, 2022**

DRAFT

## **INDEPENDENT AUDITOR'S REPORT**

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

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

#### ***Opinion***

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

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

#### ***Basis for Opinion***

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

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

#### ***Responsibilities of Management for the Schedule***

Management is responsible for the preparation and fair presentation of the schedule in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedule that is free from material misstatement, whether due to fraud or error.



### *Auditor's Responsibilities for the Audit of the Schedule*

Our objectives are to obtain reasonable assurance about whether the schedule as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the schedule.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the schedule, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the schedule.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Desert Healthcare Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the schedule.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

November 21, 2022  
La Quinta, CA

DRAFT

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

Board of Directors  
Desert Healthcare Foundation  
Palm Springs, California

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

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Desert Healthcare Foundation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Desert Healthcare Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Desert Healthcare Foundation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## **Report on Compliance and Other Matters**

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

## **Desert Healthcare Foundation's Response to Findings**

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

## **Purpose of this Report**

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

November 21, 2022

La Quinta, CA

DRAFT

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

Board of Directors  
Desert Healthcare Foundation  
Palm Springs, California

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

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

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

***Basis for Opinion on Each Major Federal Program***

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

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

## ***Responsibilities of Management for Compliance***

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

## ***Auditor's Responsibilities for the Audit of Compliance***

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

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

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

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

## ***Report on Internal Control over Compliance***

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

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

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

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

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

La Quinta, CA

November 21, 2022

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

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

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

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

**DESERT HEALTHCARE FOUNDATION**

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

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

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**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**

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**A. SUMMARY OF AUDITOR'S RESULTS**

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

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

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

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

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**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**

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**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.

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**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.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Desert Healthcare Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Desert Healthcare Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Supplementary Information**

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

### **Other Reporting Required by Government Auditing Standards**

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

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Desert Healthcare Foundation's internal control over financial reporting and compliance.

### **Report on Summarized Comparative Information**

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

November 21, 2022  
La Quinta, CA



**DESERT HEALTHCARE FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2022**

DRAFT

**WITH SUMMARIZED COMPARATIVE TOTALS FOR JUNE 30, 2021**

	Totals	
	2022	2021 (Memorandum Only) <i>Restated</i>
<b><u>ASSETS</u></b>		
<b>ASSETS</b>		
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	<u>2,736,845</u>	<u>2,490,844</u>
<b>OTHER ASSETS</b>		
Contributions receivable - charitable remainder trusts	188,389	200,809
Investments	4,181,156	5,617,879
Total other assets	<u>4,369,545</u>	<u>5,818,688</u>
<b>TOTAL ASSETS</b>	<u>\$ 7,106,390</u>	<u>\$ 8,309,532</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued payroll	\$ 12,973	\$ 144,954
Grants payable - current	795,028	1,772,234
Total current liabilities	<u>808,001</u>	<u>1,917,188</u>
Long-term liabilities		
Grants payable - long-term	200,000	249,356
Total long-term liabilities	<u>200,000</u>	<u>249,356</u>
<b>TOTAL LIABILITIES</b>	<u>1,008,001</u>	<u>2,166,544</u>
<b>NET ASSETS</b>		
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	<u>6,098,389</u>	<u>6,142,988</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 7,106,390</u>	<u>\$ 8,309,532</u>

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

**DESERT HEALTHCARE FOUNDATION****STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2022****WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021****DRAFT**

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

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

**DESERT HEALTHCARE FOUNDATION**

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

**DRAFT**

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

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

(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**

**DRAFT**

	2022	2021 (Memorandum Only) <i>Restated</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
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
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
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)
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(831,987)	203,334
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	1,348,623	1,145,289
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 516,636	\$ 1,348,623

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

# **DESERT HEALTHCARE FOUNDATION**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2022 AND 2021**

DRAFT

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Nature of Activities**

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

#### **Basis of Accounting**

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

#### **Financial Statement Presentation**

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

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

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

**Net assets with Donor Restrictions:** Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the non-profit organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Foundation has net assets with donor restrictions of \$4,155,176 and \$3,419,928 at June 30, 2022 and 2021, respectively. (See note 6)

#### **Donated Facilities and Services**

The District has provided to the Foundation the use of its office facilities at no charge. For the fiscal year ended June 30, 2022 the District allocated to the Foundation related to personnel charges. (See note 7) The value of the on-site facilities is not reflected in these statements, as they do not meet the criteria for recognition.

# **DESERT HEALTHCARE FOUNDATION**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2022 AND 2021**

DRAFT

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

#### **Contributions**

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

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

#### **Cash and Cash Equivalents**

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

#### **Use of Estimates**

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

#### **Investments**

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

#### **Income Taxes**

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

#### **Memorandum Totals**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the prior year, from which the summarized information was derived.

# **DESERT HEALTHCARE FOUNDATION**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2022 AND 2021**

DRAFT

### **2. IMPLEMENTATION OF ACCOUNTING STANDARDS UPDATE AND PRIOR YEAR RESTATEMENT**

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

### **3. FAIR VALUE MEASUREMENTS**

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

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

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date. At June 30, 2022 and 2021, all marketable securities are measured at fair value on a recurring basis and were valued at Level 1 inputs. Fair value for marketable securities at June 30, 2022 and 2021 were \$4,181,156 and \$5,617,879 (see Note 4).

### **4. CASH AND INVESTMENTS**

#### **Demand Deposits**

The carrying amounts at June 30, 2022, of the Foundation's cash deposits were \$516,636. Occasionally, the Foundation's cash balance in banks exceeds the Federal Deposit Insurance Corporation's insurance limits but management does not expect any significant credit risk relating to cash.

**DESERT HEALTHCARE FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2022 AND 2021**

DRAFT

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

**Investments**

Investments consisted of the following at June 30:

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

**5. CHARITABLE REMAINDER TRUSTS**

The Foundation was named beneficiary to two charitable remainder unitrusts (whose trustees are someone other than the Foundation), all of which are recorded at fair value. The balances at June 30, 2022 and 2021 amounted to \$188,389 and \$200,809, respectively, and general terms of the trusts are as follows:

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

Trust 7 (dated May 17, 1990): 8.5% of the net fair market value of trust assets is to be distributed to the life beneficiary annually. Upon the death of the life beneficiary, all of the principal and income not required to have been distributed to the life beneficiary shall become the property of the Foundation, to be used for general purposes. The estimated present value of future cash flows at June 30, 2022 and 2021 were \$62,367 and \$74,787, respectively.



**DESERT HEALTHCARE FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2022 AND 2021**

DRAFT

**6. NET ASSETS – WITH DONOR RESTRICTIONS**

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

	<u>2022</u>	<u>2021</u>
<u>Subject to expenditure for specified purpose:</u>		
Behavioral Health Initiative Collective Fund	\$ 3,297,169	\$ 1,752,356
Pulmonary Services	530,944	558,427
Healthcare Needs of Black Communities	-	525,000
Charitable Remainder Trust	126,022	126,022
West Valley Homelessness Initiative	71,557	73,214
Health Portal	67,117	72,176
CARES/ELC -Administrative Costs	-	237,946
<u>Subject to the passage of time:</u>		
Charitable Remainder Trust	<u>62,367</u>	<u>74,787</u>
Net Assets – with donor restrictions	<u>\$ 4,155,176</u>	<u>\$ 3,419,928</u>

**7. RELATED PARTY TRANSACTIONS**

The Foundation and the Desert Healthcare District are related parties. The Foundation is organized to provide health and welfare assistance to Coachella Valley residents in need. The District donated funds of \$2,000,000 to the Foundation during the year ended June 30, 2022 to help fulfill their purpose. During the year ended June 30, 2022 the District provided the Foundation with office space and personnel of \$534,792, of which \$366,776 is included in management and general expense and \$168,016 is included in grants and social services expense. During the year ended June 30, 2021, the District provided the Foundation with office space and personnel of \$415,872, which is included in management and general expense.

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

**DESERT HEALTHCARE FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2022 AND 2021**

DRAFT

**8. GRANTS PAYABLE**

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

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

During the year ended June 30, 2021, the Foundation entered into subrecipient agreement with the County of Riverside for a total of \$2,400,000 for the time period of October 29, 2020 through March 31, 2022. The agreement was amended in April 1, 2022 to extend the contract term to December 31, 2022 and increase the contract by \$750,000 to a total of \$3,150,000. The Foundation will operate as a Fiscal Intermediary for the County of Riverside to distribute funds to Community Based Organization (CBOs) and Faith-Based Organization (FBOs) in the Coachella Valley. The funding intends to support the work of CBOs and FBOs in the prevention, identification, and mitigation of COVID-19, and to assist with coordinating collaborative efforts to address COVID-19 related needs in communities that have been disproportionately impacted by disease.

**DESERT HEALTHCARE FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2022 AND 2021**

DRAFT

**8. GRANTS PAYABLE – (Continued)**

The funding being passed through the County of Riverside is federally funded by two sources “Coronavirus Aid, Relief, and Economic Security (CARES) Act and Center for Disease Control and Prevention Epidemiology and Laboratory Capacity (ELC) Enhancing Detection”. The Foundation has provided \$2,063,191 in funding to CBOs in the Coachella Valley and \$521,809 remains to be provided to the CBOs. As part of the subrecipient agreement, the Foundation will receive a total of \$565,000 to cover administrative costs which represents approximately 18% of the funds provided to the CBOs.

**9. LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2022 are as follows:

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

The above table reflects donor-restricted and board-designated funds as unavailable because it is the Foundation’s intention to invest resources for the long-term support of the organization. However, in the case of need, the Board of Directors could appropriate resources from the purpose-restricted funds available for general use. As part of the Foundation’s liquidity management plan, they invest cash in excess of daily requirements in short-term investments (Note 4).

**10. SUBSEQUENT EVENTS**

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