DESERT HEALTHCARE DISTRICT
Finance, Legal, Administration, & Real Estate Committee
October 11, 2023

The Finance, Legal, Administration, & Real Estate Committee of the Desert Healthcare District will be held at 5:00 PM, Wednesday, October 11, 2023, via Zoom using the following link:
https://us02web.zoom.us/j/83743788340?pwd=VXljcEdUMWtLa3NvdHd3SGRXa0Mzdz09
Password: 108761

Members of the public can also participate by telephone, using the following dial in information:
Dial in #:(669) 900-6833 or (888) 788-0099
Webinar ID: 837 4378 8340
Password: 108761

I. CALL TO ORDER

II. APPROVAL OF AGENDA

III. PUBLIC COMMENT

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

IV. APPROVAL OF MINUTES
1. F&A Meeting Minutes – September 13, 2023 – Pg. 3-5 **ACTION**

V. INTERIM CEO REPORT Information
1. 2024 Community Health Summit – Pg. 6

VI. CHIEF ADMINISTRATION OFFICER'S REPORT – Pg. 7 Information
1. LPMP Leasing Update – Pg. 8

VII. FINANCIAL REPORTS **ACTION**
1. District and LPMP Financial Statements – Pg. 9-20
2. Accounts Receivable Aging Summary – Pg. 21
3. District - Deposits – Pg. 22
4. District - Property tax receipts – Pg. 23
5. LPMP – Deposits – Pg. 24-25
6. District – Check Register – Pg. 26-27
7. Credit Card – Detail of Expenditures – Pg. 28
8. LPMP – Check Register – Pg. 29
9. CEO Discretionary Fund – Pg. 30
10. Retirement Protection Plan Update – Pg. 31
11. Grant Payment Schedule – Pg. 32

DESERT HEALTHCARE DISTRICT
Finance, Legal, Administration, & Real Estate Committee
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VIII. OTHER MATTERS

1. Craig Hartzheim – Moss Levy & Hartzheim – FY 2023 Audit Reports – District & RPP **ACTION**
   a. Management Letter, Communication Letter, Internal Controls Report – Pg. 33-42
   b. District Audit Report – Pg. 43-83
   c. RPP Audit Report – Pg. 84-105
   d. Foundation Audit Report – (Information – Consideration of Approval during the Foundation Committee meeting) – Pg. 106-120
2. LPMP New Lease – DPMG Health – Suite 1W-204 – 2-year lease – Pg. 121-149 **ACTION**
3. 2024 Palm Springs Health Run and Wellness Festival – $35,000 Sponsorship – Pg.150-152 **ACTION**

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

Andrea S. Hayles

Andrea S. Hayles, Board Relations Officer

DESERT HEALTHCARE DISTRICT
FINANCE, ADMINISTRATION, REAL ESTATE, AND LEGAL COMMITTEE
MEETING MINUTES
September 13, 2023

Directors Present	District Staff Present	Absent
Vice-President Carmina Zavala, PsyD Director Leticia De Lara, MPA	Conrado E. Bárzaga, MD, Chief Executive Officer Chris Christensen, Chief Administration Officer Donna Craig, Chief Program Officer Alejandro Espinoza, Chief of Community Engagement Eric Taylor, Accounting Manager Andrea S. Hayles, Board Relations Officer	Chair/Treasurer Arthur Shorr

AGENDA ITEMS	DISCUSSION	ACTION
I. Call to Order	Director De Lara called the meeting to order at 5:31 p.m. in the absence of Director Shorr.	
II. Approval of Agenda	Director De Lara asked for a motion to approve the agenda.	**Moved and seconded by Vice-President Zavala and Director De Lara to approve the agenda. Motion passed unanimously.**
III. Public Comment	There was no public comment.	
IV. Approval of Minutes **1. F&A Minutes – Meeting July 19, 2023**	Director De Lara motioned to approve the July 19, 2023, meeting minutes.	**Moved and seconded by Vice-President Zavala and Director De Lara to approve the July 19, 2023, meeting minutes. Motion passed unanimously.**
V. CEO Report	There was no CEO Report.	
VII. Chief Administration Officer Report **1. Las Palmas Medical Plaza – Lease Renewal – Dr. Awad – Suite #3W-105 – 5 years**	Chris Christensen, CAO, described the completion of the annual audit, inquiring with the committee on the necessity of an in-person or virtual meeting to discuss the audit overview. The final inspection of the fire sprinkler upgrades is	

	underway at the Las Palmas Medical Plaza. Marketing is underway to lease three vacant suites, and one lease renewal presented for consideration of approval in Other Matters. Mr. Christensen described the water intrusion in one suite due to Tropical Storm Hilary, as inquired by the committee, with the total loss of under $18k, including four other damaged units.	
VIII. Financial Reports **1. District and LPMP Financial Statements** **2. Accounts Receivable Aging Summary** **3. District – Deposits** **4. District – Property Tax Receipts** **5. LPMP Deposits** **6. District – Check Register** **7. Credit Card – Detail of Expenditures** **8. LPMP – Check Register** **9. Retirement Protection Plan Update** **10. Grant Payment Schedule**	 Chris Christensen, CAO, reviewed the July and August financials with the committee, highlighting the positive budgeted variance, a $800k variance on the grant expenses that will adjust once additional grant funding is expended. Mr. Christensen provided an overview of the positive net income at the Las Palmas Plaza and the retirement plan net pension asset to protect the balance for future withdrawals ahead $1.4M – sufficiently more due to the beneficial investment's performance.	 **Moved and seconded by Vice-President Zavala and Director De Lara and to approve the preliminary July and August 2023 financials – items 1-10 and forward to the Board for approval.** **Motion passed unanimously.**
IX. Other Matters **1. Las Palmas Medical Plaza – Lease Renewal – Dr. Awad – Suite #3W-105 – 5 years**	 Chris Christensen, CAO, described the 5-year lease extension for Dr. Awad, including annual increases, $12.50/sf tenant	 **Moved and seconded by Director De Lara and Vice-President Zavala and to approve the Las Palmas Medical Plaza – Lease Renewal – Dr. Awad – Suite #3W-105 – 5**

DESERT HEALTHCARE DISTRICT
FINANCE, ADMINISTRATION, REAL ESTATE, AND LEGAL COMMITTEE
MEETING MINUTES
September 13, 2023

	improvements, and net lease income of $222k.	**years and forward to the Board for approval.** **Motion passed unanimously.**
X. Adjournment	Director De Lara adjourned the meeting at 6:01 p.m.	***Audio recording available on the website at http://dhcd.org/Agendas-and-Documents***

ATTEST: ____

Leticia De Lara, Chair, Board of Directors
Finance & Administration Committee Chair
Desert Healthcare District Board of Directors

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

DESERT HEALTHCARE
DISTRICT & FOUNDATION

Date:	October 11, 2023
To:	Finance, Administration, Real Estate & Legal Committee
Subject:	2024 Community Health Summit, a collaborative, educational event coordinated and presented by the Desert Healthcare District & Foundation

The Desert Healthcare District and Foundation staff proposes a collaborative summit with community partners to explore significant health and wellness challenges in the Coachella Valley and to identify the actions needed to address them. (Informational)

Background:

- Staff is exploring in preliminary meetings with stakeholders and community partners the topics that make a significant impact on the health and well-being of residents across the Coachella Valley.
- This explorative committee consists of staff and representatives of valley nonprofits serving multiple segments of the community, including primary and behavioral healthcare providers, a senior center, and more.
- Early discussions have identified environmental health concerns in the Coachella Valley as an overarching theme that requires thoughtful investigation with expert guidance and an action plan. Committee members cite asthma, chronic obstructive pulmonary disease (COPD) and other health conditions as the result of poor air quality in the valley — as well as illegal burns, unclean/poisonous water, and issues related to the Salton Sea.
- A focus on environmental health is supported by three reports commissioned by the Healthcare District. The data and findings provided in reports from Concur, Public Health Institute, and Alianza Coachella Valley (still in progress) will be integral to planning the summit content, speakers, and overall objectives.
- Committee consensus has identified Thursday, March 21, 2024, as a prospective date for the health summit, recognizing it as an open date during what is traditionally a busy event calendar and social season in the desert.
- Staff proposes to contract with event producer Hocker Productions, a respected organizer and promoter of educational, entertainment, and service-oriented events throughout the Coachella Valley. Responsibilities would include securing the location, speakers, accommodations as needed for out-of-town guests, event marketing, and more.

Fiscal Impact:

A budget is in progress.

Chief Administration Officer's Report

October 11, 2023

Las Palmas Medical Plaza - Property Management:

Occupancy:
See attached unit rental status report.

92.3% currently occupied –

Total annual rent including CAM fees is **$1,405,249.**

Leasing Activity:

3 suites (1E-204, 1W-104, & 2W-103/104) are now vacant and available for lease. Rob Wenthold, our broker, will be showing the suites to prospective tenants.

Las Palmas Medical Plaza
Unit Rental Status
As of October 1, 2023

Unit	Tenant Name	Deposit	Lease Dates From	Lease Dates To	Term	Unit Sq Feet	Percent of Total	Monthly Rent	Annual Rent	Rent Per Sq Foot	Monthly CAM	Total Monthly Rent Inclg CAM	Total Annual Rent Inclg CAM
											$ 0.80		
1E, 204	Vacant					880	1.78%						
1W, 104	Vacant					1,024	2.07%						
2W, 103-104	Vacant					1,878	3.81%						
Total - Vacancies						**3,782**	**7.66%**						
Total Suites - 32 - 29 Suites Occupied		**$57,492.84**				**49,356**	**92.3%**	**$ 80,648.09**	**$ 967,777.08**	**$ 1.77**	**$ 36,456.00**	**$ 117,104.09**	**$ 1,405,249.08**

Summary - All Units

Occupied	**45,574**	**92.3%**
Vacant	**3,782**	**7.7%**
Pending	**0**	**0.0%**
Total	**49,356**	**100%**

DESERT HEALTHCARE DISTRICT
SEPTEMBER 2023 FINANCIAL STATEMENTS
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Year to Date Variance Analysis
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Retirement Protection Plan Update
Grants Schedule

DESERT HEALTHCARE DISTRICT YEAR TO DATE VARIANCE ANALYSIS ACTUAL VS BUDGET THREE MONTHS ENDED SEPTEMBER 30, 2023				
Scope: $25,000 Variance per Statement of Operations Summary				
	YTD		**Over(Under)**	
Account	**Actual**	**Budget**	**Budget**	**Explanation**
4000 - Income	$ 440,222	$ 11,001	**$ 429,221**	Higher interest income and market fluctuations (net) from FRF investments $329k; higher property tax revenues $100k
5000 - Direct Expenses	$ 574,536	$ 469,074	**$ 105,462**	Higher wage related expenses $145k; lower board expenses $19k; lower education expense $16k; lower health insurance expense $7k; higher retirement expense $2k
6325-CEO Discretionary Fund	$ 38,500	$ 12,501	**$ 25,999**	Budget of $50,000 for fiscal year is amortized straight-line over 12-month fiscal year.
6500 - Professional Fees Expense	$ 140,503	$ 414,114	**$ (273,611)**	Lower Professional Services expense $220k; lower PR/Communications expense $45k; lower legal expense $9k
7000 - Grants Expense	$ 641,076	$ 999,999	**$ (358,923)**	Budget of $4 Million for fiscal year is amortized straight-line over 12-month fiscal year. As of September 30, 2023, there is $3,358,924 remaining in the fiscal year grant budget, with a total of $338,600 in unexpended grant funds.

Desert Healthcare District

Profit & Loss Budget vs. Actual

July through September 2023

	MONTH			TOTAL		
	Sep 23	Budget	$ Over Budget	Jul - Sep 23	Budget	$ Over Budget
Income						
4000 · Income	(149,709)	3,667	(153,376)	440,222	11,001	429,221
4500 · LPMP Income	116,847	116,723	124	349,981	350,169	(188)
4501 · Miscellaneous Income	0	750	(750)	0	2,250	(2,250)
Total Income	(32,862)	121,140	(154,002)	790,203	363,420	426,783
Expense						
5000 · Direct Expenses	372,051	156,358	215,693	574,536	469,074	105,462
6000 · General & Administrative Exp	56,454	52,110	4,344	144,756	156,330	(11,574)
6325 · CEO Discretionary Fund	5,000	4,167	833	38,500	12,501	25,999
6445 · LPMP Expenses	99,464	104,163	(4,699)	297,424	312,489	(15,065)
6500 · Professional Fees Expense	86,944	138,038	(51,094)	140,503	414,114	(273,611)
6600 · Mobile Medical Unit	0	0	0	292	0	292
6700 · Trust Expenses	5,458	6,542	(1,084)	16,374	19,626	(3,252)
Total Expense Before Grants	625,371	461,378	163,993	1,212,380	1,384,138	(171,758)
7000 · Grants Expense	801,853	333,333	468,520	641,076	999,999	(358,923)
Net Income	**(1,460,086)**	**(673,571)**	**(786,515)**	**(1,063,254)**	**(2,020,717)**	**957,463**

Desert Healthcare District
Profit & Loss Budget vs. Actual
July through September 2023

	MONTH			TOTAL		
	Sep 23	**Budget**	**$ Over Budget**	**Jul - Sep 23**	**Budget**	**$ Over Budget**
Income						
4000 · Income						
4010 · Property Tax Revenues	0	0	0	99,918	0	99,918
4200 · Interest Income						
4220 · Interest Income (FRF)	4,468	85,000	(80,532)	223,180	255,000	(31,820)
9999-1 · Unrealized gain(loss) on invest	(156,177)	(83,333)	(72,844)	111,124	(249,999)	361,123
Total 4200 · Interest Income	(151,709)	1,667	(153,376)	334,304	5,001	329,303
4300 · DHC Recoveries	2,000	2,000	0	6,000	6,000	0
Total 4000 · Income	(149,709)	3,667	(153,376)	440,222	11,001	429,221
4500 · LPMP Income	116,847	116,723	124	349,981	350,169	(188)
4501 · Miscellaneous Income	0	750	(750)	0	2,250	(2,250)
Total Income	(32,862)	121,140	(154,002)	790,203	363,420	426,783
Expense						
5000 · Direct Expenses						
5100 · Administration Expense						
5110 · Wages Expense	345,939	131,159	214,780	533,358	393,477	139,881
5111 · Allocation to LPMP - Payroll	(6,539)	(6,539)	0	(19,617)	(19,617)	0
5112 · Vacation/Sick/Holiday Expense	19,530	15,000	4,530	53,523	45,000	8,523
5114 · Allocation to Foundation	(33,148)	(33,148)	0	(99,444)	(99,444)	0
5119 · Allocation-FED FUNDS/CVHIP-DHCF	(17,071)	(17,071)	0	(55,190)	(51,213)	(3,977)
5120 · Payroll Tax Expense	14,875	10,578	4,297	32,567	31,734	833
5130 · Health Insurance Expense						
5131 · Premiums Expense	20,363	22,456	(2,093)	64,896	67,368	(2,472)
5135 · Reimb./Co-Payments Expense	498	1,950	(1,452)	1,214	5,850	(4,636)
Total 5130 · Health Insurance Expense	20,861	24,406	(3,545)	66,110	73,218	(7,108)
5140 · Workers Comp. Expense	1,722	585	1,137	2,576	1,755	821
5145 · Retirement Plan Expense	15,365	10,486	4,879	33,559	31,458	2,101
5160 · Education Expense	2,740	8,333	(5,593)	8,640	24,999	(16,359)
Total 5100 · Administration Expense	364,274	143,789	220,485	556,082	431,367	124,715

Desert Healthcare District
Profit & Loss Budget vs. Actual
July through September 2023

	MONTH			TOTAL		
	Sep 23	Budget	$ Over Budget	Jul - Sep 23	Budget	$ Over Budget
5200 · Board Expenses						
5210 · Healthcare Benefits Expense	1,222	4,188	(2,966)	6,148	12,564	(6,416)
5230 · Meeting Expense	1,668	3,708	(2,040)	4,518	11,124	(6,606)
5235 · Director Stipend Expense	3,859	3,465	394	6,505	10,395	(3,890)
5240 · Catering Expense	250	1,000	(750)	485	3,000	(2,515)
5250 · Mileage Reimbursement Expense	778	208	570	798	624	174
Total 5200 · Board Expenses	7,777	12,569	(4,792)	18,454	37,707	(19,253)
Total 5000 · Direct Expenses	372,051	156,358	215,693	574,536	469,074	105,462
6000 · General & Administrative Exp						
6110 · Payroll fees Expense	234	208	26	622	624	(2)
6120 · Bank and Investment Fees Exp	5,769	5,200	569	16,258	15,600	658
6125 · Depreciation Expense	1,905	2,000	(95)	5,715	6,000	(285)
6126 · Depreciation-Solar Parking lot	15,072	15,072	0	45,216	45,216	0
6127 · Depreciation - Autos	5,984	3,287	2,697	15,654	9,861	5,793
6130 · Dues and Membership Expense	4,346	5,385	(1,039)	7,890	16,155	(8,265)
6200 · Insurance Expense	4,133	4,950	(817)	12,399	14,850	(2,451)
6300 · Minor Equipment Expense	0	42	(42)	0	126	(126)
6305 · Auto Allowance & Mileage Exp	1,077	500	577	2,001	1,500	501
6306 · Staff- Auto Mileage reimb	409	625	(216)	881	1,875	(994)
6309 · Personnel Expense	0	375	(375)	0	1,125	(1,125)
6310 · Miscellaneous Expense	0	42	(42)	0	126	(126)
6311 · Cell Phone Expense	574	900	(326)	1,720	2,700	(980)
6312 · Wellness Park Expenses	0	83	(83)	0	249	(249)
6315 · Security Monitoring Expense	0	50	(50)	108	150	(42)
6340 · Postage Expense	200	333	(133)	628	999	(371)
6350 · Copier Rental/Fees Expense	377	500	(123)	1,131	1,500	(369)
6351 · Travel Expense	4,937	2,500	2,437	10,385	7,500	2,885
6352 · Meals & Entertainment Exp	602	2,417	(1,815)	1,748	7,251	(5,503)
6355 · Computer Services Expense	5,421	3,083	2,338	10,750	9,249	1,501
6360 · Supplies Expense	2,418	1,833	585	3,147	5,499	(2,352)
6380 · LAFCO Assessment Expense	180	208	(28)	540	624	(84)
6400 · East Valley Office	2,816	2,517	299	7,963	7,551	412
Total 6000 · General & Administrative Exp	56,454	52,110	4,344	144,756	156,330	(11,574)

Desert Healthcare District

Profit & Loss Budget vs. Actual

July through September 2023

	MONTH			TOTAL		
	Sep 23	Budget	$ Over Budget	Jul - Sep 23	Budget	$ Over Budget
6325 · CEO Discretionary Fund	5,000	4,167	833	38,500	12,501	25,999
6445 · LPMP Expenses	99,464	104,163	(4,699)	297,424	312,489	(15,065)
6500 · Professional Fees Expense						
6516 · Professional Services Expense	39,317	103,038	(63,721)	89,459	309,114	(219,655)
6520 · Annual Audit Fee Expense	1,441	1,458	(17)	4,323	4,374	(51)
6530 · PR/Communications/Website	16,186	20,542	(4,356)	16,721	61,626	(44,905)
6560 · Legal Expense	30,000	13,000	17,000	30,000	39,000	(9,000)
Total 6500 · Professional Fees Expense	86,944	138,038	(51,094)	140,503	414,114	(273,611)
6600 · Mobile Medical Unit	0	0	0	292	0	292
6700 · Trust Expenses						
6720 · Pension Plans Expense						
6721 · Legal Expense	0	167	(167)	0	501	(501)
6725 · RPP Pension Expense	5,000	5,000	0	15,000	15,000	0
6728 · Pension Audit Fee Expense	458	1,375	(917)	1,374	4,125	(2,751)
Total 6700 · Trust Expenses	5,458	6,542	(1,084)	16,374	19,626	(3,252)
Total Expense Before Grants	625,371	461,378	163,993	1,212,381	1,384,138	(171,757)
7000 · Grants Expense						
7010 · Major Grant Awards Expense	801,853	333,333	468,520	641,076	999,999	(358,923)
Net Income	**(1,460,086)**	**(673,571)**	**(786,515)**	**(1,063,254)**	**(2,020,717)**	**957,463**

Las Palmas Medical Plaza
Profit & Loss Budget vs. Actual
July through September 2023

					TOTAL	
	Sep 23	Budget	$ Over Budget	Jul - Sep 23	Budget	$ Over Budget
Income						
4500 · LPMP Income						
4505 · Rental Income	80,391	93,600	(13,209)	240,818	280,800	(39,982)
4510 · CAM Income	36,456	23,040	13,416	109,163	69,120	40,043
4513 · Misc. Income	0	83	(83)	0	249	(249)
Total 4500 · LPMP Income	116,847	116,723	124	349,981	350,169	(188)
Expense						
6445 · LPMP Expenses						
6420 · Insurance Expense	5,568	4,050	1,518	16,704	12,150	4,554
6425 · Building - Depreciation Expense	24,401	27,441	(3,040)	73,171	82,323	(9,152)
6426 · Tenant Improvements -Dep Exp	8,900	17,917	(9,017)	26,700	53,751	(27,051)
6427 · HVAC Maintenance Expense	1,197	1,333	(136)	4,743	3,999	744
6428 · Roof Repairs Expense	0	208	(208)	0	624	(624)
6431 · Building -Interior Expense	14,000	625	13,375	27,000	1,875	25,125
6432 · Plumbing -Interior Expense	0	833	(833)	3,550	2,499	1,051
6433 · Plumbing -Exterior Expense	0	208	(208)	0	624	(624)
6434 · Allocation Internal Prop. Mgmt	6,539	6,539	0	19,617	19,617	0
6435 · Bank Charges	25	42	(17)	72	126	(54)
6437 · Utilities -Vacant Units Expense	26	183	(157)	55	549	(494)
6439 · Deferred Maintenance Repairs Ex	0	1,833	(1,833)	5,000	5,499	(499)
6440 · Professional Fees Expense	11,485	11,485	0	34,455	34,455	0
6441 · Legal Expense	0	83	(83)	0	249	(249)
6458 · Elevators - R & M Expense	275	1,083	(808)	2,317	3,249	(932)
6460 · Exterminating Service Expense	275	1,000	(725)	825	3,000	(2,175)
6463 · Landscaping Expense	0	917	(917)	5,110	2,751	2,359
6467 · Lighting Expense	0	417	(417)	0	1,251	(1,251)
6468 · General Maintenance Expense	0	83	(83)	0	249	(249)
6471 · Marketing-Advertising	842	1,250	(408)	842	3,750	(2,908)
6475 · Property Taxes Expense	6,650	6,650	0	19,527	19,950	(423)
6476 · Signage Expense	0	625	(625)	0	1,875	(1,875)
6480 · Rubbish Removal Medical Waste E	2,303	1,500	803	3,596	4,500	(904)
6481 · Rubbish Removal Expense	3,495	2,900	595	9,185	8,700	485
6482 · Utilities/Electricity/Exterior	948	625	323	2,458	1,875	583
6484 · Utilities - Water (Exterior)	580	833	(253)	2,415	2,499	(84)
6485 · Security Expenses	11,955	13,333	(1,378)	36,315	39,999	(3,684)
6490 · Miscellaneous Expense	0	167	(167)	3,767	501	3,266
Total 6445 · LPMP Expenses	99,464	104,163	(4,699)	297,424	312,489	(15,065)
Net Income	**17,383**	**12,560**	**4,823**	**52,557**	**37,680**	**14,877**

Desert Healthcare District
Balance Sheet Previous Year Comparison
As of September 30, 2023

	Sep 30, 23	Sep 30, 22
ASSETS		
Current Assets		
Checking/Savings		
1000 · CHECKING CASH ACCOUNTS	572,252	1,626,316
1100 · INVESTMENT ACCOUNTS	65,149,459	60,266,448
Total Checking/Savings	65,721,711	61,892,764
Total Accounts Receivable	(16,517)	18,011
Other Current Assets		
1204.1 · Rent Receivable-Deferred COVID	28,593	81,591
1270 · Prepaid Insurance -Ongoing	87,309	78,036
1279 · Pre-Paid Fees	43,551	30,017
Total Other Current Assets	159,453	189,644
Total Current Assets	65,864,647	62,100,419
Fixed Assets		
1300 · FIXED ASSETS	5,265,403	5,070,936
1335-00 · ACC DEPR	(2,681,470)	(2,421,928)
1400 · LPMP Assets	6,829,963	7,100,164
Total Fixed Assets	9,413,896	9,749,172
Other Assets		
1600 · RIGHT TO USE ASSETS	216,235	0
1611 · RTU Accumulated Amortization	(22,178)	0
1700 · OTHER ASSETS	3,723,380	3,524,745
1800 · OTHER RECEIVABLES	3,048,911	0
Total Other Assets	6,966,348	3,524,745
TOTAL ASSETS	**82,244,891**	**75,374,336**

Desert Healthcare District
Balance Sheet Previous Year Comparison
As of September 30, 2023

	Sep 30, 23	Sep 30, 22
LIABILITIES & EQUITY		
Liabilities		
Current Liabilities		
Accounts Payable		
2000 · Accounts Payable	149,533	27,331
2001 · LPMP Accounts Payable	15,379	3,712
Total Accounts Payable	164,912	31,043
Other Current Liabilities		
2002 · LPMP Property Taxes	19,950	18,750
2131 · Grant Awards Payable	5,528,337	4,678,225
2133 · Accrued Accounts Payable	209,550	159,550
2141 · Accrued Vacation Time	74,264	86,598
2188 · Current Portion - LTD	0	11,103
2190 · Investment Fees Payable	14,048	15,000
Total Other Current Liabilities	5,846,149	4,969,226
Total Current Liabilities	6,011,061	5,000,269
Long Term Liabilities		
2171 · RPP-Deferred Inflows-Resources	564,584	492,802
2172 · Lease - Deferred Inflows	2,982,703	0
2280 · Long-Term Disability	0	2,981
2281 · Grants Payable - Long-term	2,475,000	3,520,000
2285 · Lease Payable	196,798	0
2290 · LPMP Security Deposits	57,493	64,960
Total Long Term Liabilities	6,276,578	4,080,743
Total Liabilities	12,287,639	9,081,012
Equity		
3900 · *Retained Earnings	71,020,500	67,758,461
Net Income	(1,063,254)	(1,465,136)
Total Equity	69,957,246	66,293,325
TOTAL LIABILITIES & EQUITY	**82,244,891**	**75,374,336**

Desert Healthcare District

Balance Sheet Previous Year Comparison

As of September 30, 2023

	Sep 30, 23	Sep 30, 22
ASSETS		
Current Assets		
Checking/Savings		
1000 · CHECKING CASH ACCOUNTS		
1012 · Union Bank Operating - 9356	0	1,399,099
1016 · US Bank Operating - 5018	502,517	0
1044 · Las Palmas Medical Plaza - 1241	69,235	0
1046 · Las Palmas Medical Plaza	0	226,717
1047 · Petty Cash	500	500
Total 1000 · CHECKING CASH ACCOUNTS	572,252	1,626,316
1100 · INVESTMENT ACCOUNTS		
1130 · Facility Replacement Fund	67,477,696	63,179,482
1135 · Unrealized Gain(Loss) FRF	(2,328,237)	(2,913,034)
Total 1100 · INVESTMENT ACCOUNTS	65,149,459	60,266,448
Total Checking/Savings	65,721,711	61,892,764
Total Accounts Receivable	(16,517)	18,011
Other Current Assets		
1204.1 · Rent Receivable-Deferred COVID	28,593	81,591
1270 · Prepaid Insurance -Ongoing	87,309	78,036
1279 · Pre-Paid Fees	43,551	30,017
Total Other Current Assets	159,453	189,644
Total Current Assets	65,864,647	62,100,419
Fixed Assets		
1300 · FIXED ASSETS		
1310 · Computer Equipment	99,902	90,568
1320 · Furniture and Fixtures	55,099	33,254
1321 · Mobile Medical Unit	360,502	197,214
1322 · Tenant Improvement - RAP #G100	32,794	32,794
1325 · Offsite Improvements	300,849	300,849
1331 · DRMC - Parking lot	4,416,257	4,416,257
Total 1300 · FIXED ASSETS	5,265,403	5,070,936

Desert Healthcare District

Balance Sheet Previous Year Comparison

As of September 30, 2023

	Sep 30, 23	Sep 30, 22
1335-00 · ACC DEPR		
1335 · Accumulated Depreciation	(239,218)	(221,753)
1337 · Accum Deprec- Solar Parking Lot	(2,185,612)	(2,004,747)
1338 · Accum Deprec - LPMP Parking Lot	(217,978)	(195,428)
1339 · Accum Deprec - Autos	(38,662)	0
Total 1335-00 · ACC DEPR	(2,681,470)	(2,421,928)
1400 · LPMP Assets		
1401 · Building	8,705,680	8,705,680
1402 · Land	2,165,300	2,165,300
1403 · Tenant Improvements -New	2,309,146	2,271,406
1404 · Tenant Improvements - CIP	129,550	129,550
1406 · Building Improvements		
1406.1 · LPMP-Replace Parking Lot	676,484	676,484
1406.2 · Building Improvements-CIP	600,684	459,999
1406 · Building Improvements - Other	2,155,288	2,153,527
Total 1406 · Building Improvements	3,432,456	3,290,010
1407 · Building Equipment Improvements	444,268	444,268
1409 · Accumulated Depreciation		
1410 · Accum. Depreciation	(8,212,850)	(7,942,137)
1412 · T I Accumulated Dep.-New	(2,143,587)	(1,963,913)
Total 1409 · Accumulated Depreciation	(10,356,437)	(9,906,050)
Total 1400 · LPMP Assets	6,829,963	7,100,164
Total Fixed Assets	9,413,896	9,749,172
Other Assets		
1600 · RIGHT TO USE ASSETS		
1610 · Right to Use Asset	216,235	0
1611 · RTU Accumulated Amortization	(22,178)	0
1700 · OTHER ASSETS		
1731 · Wellness Park	1,693,800	1,693,800
1740 · RPP-Deferred Outflows-Resources	587,440	836,699
1742 · RPP - Net Pension Asset	1,442,140	994,246
Total 1700 · OTHER ASSETS	3,723,380	3,524,745
1800 · OTHER RECEIVABLES		
1810 · Lease Receivable	3,048,911	0
Total Other Assets	6,966,348	3,524,745
TOTAL ASSETS	**82,244,891**	**75,374,336**

Desert Healthcare District
Balance Sheet Previous Year Comparison
As of September 30, 2023

	Sep 30, 23	Sep 30, 22
LIABILITIES & EQUITY		
Liabilities		
Current Liabilities		
Accounts Payable		
2000 · Accounts Payable	149,533	27,331
2001 · LPMP Accounts Payable	15,379	3,712
Total Accounts Payable	164,912	31,043
Other Current Liabilities		
2002 · LPMP Property Taxes	19,950	18,750
2131 · Grant Awards Payable	5,528,337	4,678,225
2133 · Accrued Accounts Payable	209,550	159,550
2141 · Accrued Vacation Time	74,264	86,598
2188 · Current Portion - LTD	0	11,103
2190 · Investment Fees Payable	14,048	15,000
Total Other Current Liabilities	5,846,149	4,969,226
Total Current Liabilities	6,011,061	5,000,269
Long Term Liabilities		
2171 · RPP-Deferred Inflows-Resources	564,584	492,802
2172 · Lease - Deferred Inflows	2,982,703	0
2280 · Long-Term Disability	0	2,981
2281 · Grants Payable - Long-term	2,475,000	3,520,000
2285 · Lease Payable	196,798	0
2290 · LPMP Security Deposits	57,493	64,960
Total Long Term Liabilities	6,276,578	4,080,743
Total Liabilities	12,287,639	9,081,012
Equity		
3900 · *Retained Earnings	71,020,500	67,758,461
Net Income	(1,063,254)	(1,465,136)
Total Equity	69,957,246	66,293,325
TOTAL LIABILITIES & EQUITY	**82,244,891**	**75,374,336**

Desert Healthcare District
A/R Aging Summary
As of September 30, 2023

	Current	1 - 30	31 - 60	61 - 90	> 90	TOTAL	COMMENT
Aijaz Hashmi, M.D., Inc.	0	(3,226)	0	0	0	(3,226)	Prepaid
Desert Oasis Healthcare	0	(2,701)	0	0	0	(2,701)	Prepaid
Quest Diagnostics Incorporated	0	(4,478)	0	0	0	(4,478)	Prepaid
Steven Gundry, M.D.	0	(6,113)	0	0	0	(6,113)	Prepaid
TOTAL	**0**	**(16,518)**	**0**	**0**	**0**	**(16,518)**	

Desert Healthcare District
Deposit Detail
September 2023

Type	Date	Name	Amount
Deposit	**09/05/2023**		**2,000**
		T-Mobile - Cell Tower Lease	(2,000)
TOTAL			(2,000)
Deposit	**09/21/2023**		**17**
		Rogers, Carole - ACHD Conference Reimbursement	(17)
TOTAL			(17)
Deposit	**09/29/2023**		**152,560**
Payment	09/29/2023	Desert Healthcare Foundation-	(152,560)
TOTAL			(152,560)
		TOTAL	**154,577**

DESERT HEALTHCARE DISTRICT																				
PROPERTY TAX RECEIPTS FY 2023 - 2024																				
RECEIPTS - THREE MONTHS ENDED SEPTEMBER 30, 2023																				
	FY 2022-2023 Projected/Actual									**FY 2023-2024 Projected/Actual**										
	Budget %	**Budget $**		**Act %**	**Actual Receipts**		**Variance**			**Budget %**	**Budget $**		**Act %**	**Actual Receipts**		**Variance**				
July	0.0%	$	-	0.0%	$	3,676	$	3,676		0.0%	$	-	0.8%	$	70,152	$	70,152			
Aug	0.0%	$	-	2.2%	$	175,271	$	175,271		0.0%	$	-	2.0%	$	180,642	$	180,642			
Sep	0.0%	$	-	0.0%	$	3,382	$	3,382		0.0%	$	-	0.0%	$	-	$	-			
Oct	2.6%	$	208,624	0.0%	$	-	$	(208,624)		2.6%	$	229,840	0.0%							
Nov	0.4%	$	32,096	2.5%	$	198,217	$	166,121		0.4%	$	35,360	0.0%							
Dec	16.9%	$	1,356,056	18.2%	$	1,458,481	$	102,425		16.9%	$	1,493,960	0.0%							
Jan	31.9%	$	2,559,656	40.6%	$	3,259,483	$	699,827		31.9%	$	2,819,960	0.0%							
Feb	0.0%	$	-	0.6%	$	46,002	$	46,002		0.0%	$	-	0.0%							
Mar	0.3%	$	24,072	1.1%	$	84,592	$	60,520		0.3%	$	26,520	0.0%							
Apr	5.5%	$	441,320	6.4%	$	510,192	$	68,872		5.5%	$	486,200	0.0%							
May	19.9%	$	1,596,776	48.4%	$	3,883,733	$	2,286,957		19.9%	$	1,759,160	0.0%							
June	22.5%	$	1,805,400	0.1%	$	5,841	$	(1,799,559)		22.5%	$	1,989,000	0.0%							
Total	**100%**	**$**	**8,024,000**	**120.0%**	**$**	**9,628,870**	**$**	**1,604,870**		**100.00%**	**$**	**8,840,000**	**2.8%**	**$**	**250,794**	**$**	**250,794**			

Las Palmas Medical Plaza
Deposit Detail - LPMP
September 2023

Type	Date	Name	Amount
Deposit	**09/05/2023**		**7,053**
Payment	09/05/2023	EyeCare Services Partners Management LLC	(7,053)
TOTAL			(7,053)
Deposit	**09/05/2023**		**3,264**
Payment	09/05/2023	Coachella Valley Volunteers in Medicine-	(3,264)
TOTAL			(3,264)
Deposit	**09/07/2023**		**19,909**
Payment	09/05/2023	Brad A. Wolfson, M.D.	(3,927)
Payment	09/05/2023	Cohen Musch Thomas Medical Group	(5,079)
Payment	09/05/2023	Cure Cardiovascular Consultants	(3,345)
Payment	09/05/2023	Palmtree Clinical Research	(7,558)
TOTAL			(19,909)
Deposit	**09/11/2023**		**4,139**
Payment	09/11/2023	Desert Family Medical Center	(4,139)
TOTAL			(4,139)
Deposit	**09/12/2023**		**9,966**
Payment	09/12/2023	Ramy Awad, M.D.	(3,784)
Payment	09/12/2023	Pathway Pharmaceuticals,Inc.	(2,639)
Payment	09/12/2023	Peter Jamieson, M.D.	(3,543)
TOTAL			(9,966)
Deposit	**09/14/2023**		**48,747**
Payment	09/14/2023	Desert Regional Medical Center	(6,061)
Payment	09/14/2023	Tenet HealthSystem Desert, Inc.	(35,778)
Payment	09/14/2023	Tenet HealthSystem Desert, Inc	(6,908)
TOTAL			(48,747)

Las Palmas Medical Plaza
Deposit Detail - LPMP
September 2023

Type	Date	Name	Amount
Deposit	**09/14/2023**		**4,455**
Payment	09/14/2023	Global Premier Fertility	(4,455)
TOTAL			(4,455)
Deposit	**09/21/2023**		**3,226**
Payment	09/21/2023	Aijaz Hashmi, M.D., Inc.	(3,226)
TOTAL			(3,226)
Deposit	**09/26/2023**		**4,478**
Payment	09/26/2023	Quest Diagnostics Incorporated	(4,478)
TOTAL			(4,478)
Deposit	**09/28/2023**		**8,814**
Payment	09/28/2023	Steven Gundry, M.D.	(6,113)
Payment	09/28/2023	Desert Oasis Healthcare	(2,701)
TOTAL			(8,814)
		TOTAL	**114,051**

Desert Healthcare District
Check Register
As of September 30, 2023

Type	Date	Num	Name	Amount
1000 · CHECKING CASH ACCOUNTS				
1016 · US Bank Operating - 5018				
Liability Check	09/01/2023		QuickBooks Payroll Service	(334)
Liability Check	09/01/2023		QuickBooks Payroll Service	(60,723)
Bill Pmt -Check	09/01/2023	1852	Conrado Barzaga - Expense Reimbursement	(395)
Bill Pmt -Check	09/01/2023	1853	Jana Trew - Expense Reimbursement	(165)
Bill Pmt -Check	09/01/2023	1854	Regional Access Project Foundation	(5,000)
Bill Pmt -Check	09/01/2023	1855	So.Cal Computer Shop	(810)
Bill Pmt -Check	09/01/2023	1856	TWC Consulting LLC	(6,833)
Bill Pmt -Check	09/01/2023	1857	Visual Edge IT (Image Source)	(293)
Bill Pmt -Check	09/01/2023	1858	Zendle, Les - Stipend	(110)
Bill Pmt -Check	09/05/2023	1859	California Consulting	(4,250)
Bill Pmt -Check	09/05/2023	1860	Evett PerezGil - Stipend	(441)
Bill Pmt -Check	09/05/2023	1861	OneFuture Coachella Valley - Grant Payment	(68,062)
Bill Pmt -Check	09/05/2023	1862	Pueblo Unido CDC - Grant Payment	(11,250)
Bill Pmt -Check	09/05/2023	1863	Ronnie's House for Hope - Grant Payment	(10,000)
Bill Pmt -Check	09/05/2023	1864	Well in the Desert - Grant Payment	(10,000)
Check	09/07/2023	Auto Pay	Calif. Public Employees'Retirement System	(17,725)
Bill Pmt -Check	09/12/2023	1865	Magdalena Cleaning Services	(200)
Bill Pmt -Check	09/12/2023	1866	Moss, Levy & Hartzheim LLP	(9,500)
Bill Pmt -Check	09/12/2023	1867	State Compensation Insurance Fund	(746)
Bill Pmt -Check	09/12/2023	1868	Xerox Financial Services	(377)
Bill Pmt -Check	09/12/2023	1869	Cathedral City Senior Center	(5,000)
Bill Pmt -Check	09/12/2023	1870	Peak Grantmaking	(2,000)
Bill Pmt -Check	09/12/2023	1871	LoopUp LLC	(24)
Bill Pmt -Check	09/14/2023	1872	Purchase Power	(200)
Liability Check	09/15/2023		QuickBooks Payroll Service	(225)
Liability Check	09/15/2023		QuickBooks Payroll Service	(61,815)
Check	09/15/2023		Bank Service Charge	(769)
Bill Pmt -Check	09/19/2023	1873	Desert Access and Mobility, Inc. - Grant Payment	(10,000)
Bill Pmt -Check	09/19/2023	1874	Desert Charities Publishing, LLC	(2,100)
Bill Pmt -Check	09/19/2023	1875	DPMG Health - Grant Payment	(46,395)
Bill Pmt -Check	09/19/2023	1876	Galilee Center - Grant Payment	(22,500)
Bill Pmt -Check	09/19/2023	1877	Graphtek Interactive	(1,538)
Bill Pmt -Check	09/19/2023	1878	Jana Trew - Expense Reimbursement	(709)
Bill Pmt -Check	09/19/2023	1879	Principal Life Insurance Co.	(2,110)
Bill Pmt -Check	09/19/2023	1880	Regional Access Project Foundation	(538)
Bill Pmt -Check	09/19/2023	1881	U.S. Bank	(2,234)
Bill Pmt -Check	09/19/2023	1882	Voices for Children - Grant Payment	(6,000)

Desert Healthcare District
Check Register
As of September 30, 2023

Type	Date	Num	Name	Amount
Bill Pmt -Check	09/19/2023	1883	Andrea S. Hayles - Expense Reimbursement	(113)
Bill Pmt -Check	09/19/2023	1884	U.S. Bank	(5,243)
Bill Pmt -Check	09/19/2023	1885	Carmina Zavala - Stipend	(445)
Bill Pmt -Check	09/19/2023	1886	Leticia De Lara - Expense Reimbursement	(674)
Bill Pmt -Check	09/19/2023	1887	Will Dean - Expense Reimbursement	(666)
Bill Pmt -Check	09/21/2023	1888	Regional Access Project Foundation	(2,000)
Bill Pmt -Check	09/21/2023	1889	Shred-It	(131)
Bill Pmt -Check	09/21/2023	1890	California Chamber of Commerce	(699)
Bill Pmt -Check	09/21/2023	1891	CoPower Employers' Benefits Alliance	(1,750)
Bill Pmt -Check	09/21/2023	1892	Mangus Accountancy Group, A.P.C.	(500)
Bill Pmt -Check	09/21/2023	1893	State Compensation Insurance Fund	(976)
Paycheck	09/26/2023	1894-VOID	Conrado Barzaga	0
Paycheck	09/26/2023	1895	Conrado Barzaga	(101,796)
Bill Pmt -Check	09/26/2023	1896	Andrea S. Hayles - Expense Reimbursement	(142)
Bill Pmt -Check	09/26/2023	1897	Frazier Pest Control, Inc.	(33)
Bill Pmt -Check	09/26/2023	1898	KUNA-TV Telemundo 15	(6,000)
Bill Pmt -Check	09/26/2023	1899	Locks Around The Clock	(719)
Bill Pmt -Check	09/26/2023	1900	So.Cal Computer Shop	(2,985)
Bill Pmt -Check	09/26/2023	1901	Steven Hollis - Consulting Services	(2,625)
Bill Pmt -Check	09/26/2023	1902	VanSant Studios LLC	(4,500)
Bill Pmt -Check	09/26/2023	1903	Run With Los Muertos	(1,000)
Bill Pmt -Check	09/26/2023	1904	Alejandro Espinoza Santacruz - Expense Reimbursement	(2,421)
Liability Check	09/27/2023		QuickBooks Payroll Service	(112,141)
Bill Pmt -Check	09/28/2023	1905	Coachella Valley Public Safety	(180)
Bill Pmt -Check	09/28/2023	1906	DesertWraps.com	(4,277)
Bill Pmt -Check	09/28/2023	1907	Visual Edge IT (Image Source)	(518)
Liability Check	09/29/2023		QuickBooks Payroll Service	(225)
Liability Check	09/29/2023		QuickBooks Payroll Service	(50,940)
TOTAL				**(675,070)**

Desert Healthcare District							
Details for Credit Card Expenditures							
Credit card purchases - August 2023 - Paid September 2023							
Number of credit cards held by District personnel -2							
Credit Card Limit - $25,000 - Conrado, $20,000 - Chris							
Credit Card Holders:							
Conrado Bárzaga - Chief Executive Officer							
Chris Christensen - Chief Administration Officer							
Routine types of charges:							
Office Supplies, Dues for membership, Computer Supplies, Meals, Travel including airlines and Hotels, Catering, Supplies for BOD meetings, CEO Discretionary for small grant & gift items							
	Statement						
	Month	**Total**		**Expense**			
Year	**Charged**	**Charges**		**Type**	**Amount**	**Purpose**	**Description**
		$ 7,477.14					
Chris' Statement:							
2023	**August**	**$ 2,233.69**		**District**			
				GL	Dollar	Description	
				6360	$ 98.31	Staples - supplies	
				6530	$ 924.00	Constant Contact annual subscription	
				6355	$ 78.00	Microsoft subscription	
				6355	$ 918.39	Microsoft subscription	
				6360	$ 200.00	Amazon - gift card for summer intern	
				6530	$ 14.99	Desert Sun subscription - marketing	
					$ 2,233.69		
Conrado's Statement:							
2023	**August**	**$ 5,243.45**					
				District			
				GL	Dollar	Description	
				6351	$ (495.80)	Credit forThe Mission Inn - Lodging for IECF Annual Policy Engagment Forum - Riverside, CA - Director De Lara	
				6352	$ 71.15	Stubb's Bar-B-Q - NACHW Annual meeting and Unity Conference - Austin, TX - Conrado Bárzaga	
				6351	$ 34.85	Uber - NACHW Annual meeting and Unity Conference - Austin, TX - Conrado Bárzaga	
				6351	$ 80.00	Palm Springs Airport parking	
				6351	$ 1,086.51	Marriot - Lodging for NACHW Annual meeting and Unity Conference - Austin, TX - August 3-6, 2023 - Conrado Bárzaga	
				6351	$ 280.62	Hyatt Hotels - Lodging for ACHD 71st Annual Meeting - September 12-15, 2023 - Will Dean	
				6352	$ 157.15	Par*FOGO - food for NACHW Annual meeting and Unity Conference - Austin, TX - Conrado Bárzaga	
				6352	$ 223.54	Uptown Gastropub - NACHW Annual meeting and Unity Conference - Austin, TX - Conrado Bárzaga	
				5160	$ 1,990.00	Harvard HKS Online	
				6351	$ 495.80	The Mission Inn - Lodging for IECF Annual Policy Engagment Forum - Riverside, CA - August 8-10, 2023 - Director De Lara	
				5230	$ 1,000.00	ACHD 71st Annual Meeting - Olympic Valley, CA - September 13-15, 2023 - Director Barraza	
				6351	$ 280.62	Hyatt Hotels - Lodging for ACHD 71st Annual Meeting - September 12-15, 2023 - Director Barraza	
				6352	$ 39.01	Johns Restaurant Meeting - Director Zendle & Conrado Bárzaga	
					$ 5,243.45		

Las Palmas Medical Plaza
Check Register - LPMP
As of September 30, 2023

Type	Date	Num	Name	Amount
1000 · CHECKING CASH ACCOUNTS				
1044 · Las Palmas Medical Plaza - 1241				
Bill Pmt -Check	09/01/2023	10790	Desert Water Agency	(915)
Bill Pmt -Check	09/05/2023	10791	Coldwell Banker Commercial Lyle & Assoc.	(842)
Bill Pmt -Check	09/05/2023	10792	INPRO Environmental Management Services	(8,950)
Bill Pmt -Check	09/05/2023	10793	Palm Springs Disposal Services Inc	(2,845)
Bill Pmt -Check	09/12/2023	10794	Desert Air Conditioning Inc.	(726)
Bill Pmt -Check	09/12/2023	10795	Southern California Edison	(900)
Bill Pmt -Check	09/12/2023	10796	Stericycle, Inc.	(1,160)
Bill Pmt -Check	09/14/2023	10797	Frazier Pest Control, Inc.	(275)
Bill Pmt -Check	09/14/2023	10798	Stericycle, Inc.	(1,142)
Bill Pmt -Check	09/21/2023	10799	Desert Air Conditioning Inc.	(471)
Bill Pmt -Check	09/21/2023	10800	Frontier Communications	(275)
Check	09/21/2023		Bank Service Charge	(574)
Bill Pmt -Check	09/26/2023	10801	INPRO Environmental Management Services	(56,226)
Bill Pmt -Check	09/28/2023	10802	INPRO Environmental Management Services	(17,185)
TOTAL				**(92,486)**

Desert Healthcare District

CEO Discretionary Fund Detail

July through September 2023

Date	Name	Memo	Amount
6325 · CEO Discretionary Fund			
07/01/2023	California Forward	Knowledge level sponsorship for 2023 Economic Summit	5,000
08/04/2023	U.S. Bank	Planned Parenthood contribution to 60th Anniversary Cocktail Reception - September 23, 2023	5,000
08/11/2023	Blood Bank of San Bernardino	2023 Thanks4Giving Gala Table Sponsorship - Saturday November 11, 2023	3,500
08/15/2023	Coachella Valley Volunteers in Medicine	2023 VIMY Awards - Bronze Sponsorship	5,000
08/17/2023	UC Riverside Foundation	UCR SOM 2023 Gala and Education Building II Grand Opening - Silver Sponsorship	10,000
08/30/2023	Regional Access Project Foundation	Desert Fast Pitch 2023 Sponsorship	5,000
09/06/2023	Cathedral City Senior Center	Table Sponsor at November 13, 2023 Gala	5,000
TOTAL			**38,500**

DESERT HEALTHCARE
DISTRICT & FOUNDATION

MEMORANDUM

DATE: October 11, 2023

TO: F&A Committee

RE: Retirement Protection Plan (RPP)

Current number of participants in Plan:

	August	September
Active – still employed by hospital	65	65
Vested – no longer employed by hospital	55	53
Former employees receiving annuity	7	7
Total	**126**	**125**

The outstanding liability for the RPP is approximately **$2.9M** (Actives - $1.5M and Vested - $1.4M). US Bank investment account balance $4.5M. Per the June 30, 2023, Actuarial Valuation, the RPP has an Overfunded Pension Asset of approximately **$1.45M**.

The payouts, excluding monthly annuity payments, made from the Plan for the three (3) months ended September 30, 2023, totaled **$163K.** Monthly annuity payments (7 participants) total **$1.0K** per month.

	DESERT HEALTHCARE DISTRICT						
	OUTSTANDING GRANTS AND GRANT PAYMENT SCHEDULE						
	September 30, 2023						
	TWELVE MONTHS ENDING JUNE 30, 2024						

Grant ID Nos.	Name	Approved Grants - Prior Yrs	6/30/2023 Bal Fwd	Current Yr 2023-2024	Total Paid Prior Yrs July-June	Total Paid Current Yr July-June	Open BALANCE
2014-MOU-BOD-11/21/13	Memo of Understanding CVAG CV Link Support	**$ 10,000,000**	$ 3,320,000		$ -		$ 3,320,000
2022-1301-BOD-01-25-22	UCR Regents - Community Based Interventions to Mitigate Psychological Trauma - 1 Yr.	$ 113,514	$ 11,352		$ 5,747		$ 5,605
	Unexpended funds Grant #1301						$ (5,605)
2022-1311-BOD-04-26-22	Desert Arc - Healthcare for Adults with Disabilities Project Employment of Nurses - 1 Yr.	$ 102,741	$ 10,275		$ 10,275		$ -
2022-1313-BOD-04-26-22	Angel View - Improving Access to Primary and Specialty Care Services for Children With Disabilities 1 Yr.	$ 76,790	$ 7,680		$ 7,680		$ -
2022-1314-BOD-05-24-22	Voices for Children - Court Appointed Special Advocate Program - 1 Yr.	$ 60,000	$ 6,000		$ 6,000		$ -
2022-1325-BOD-06-28-22	Vision Y Compromiso - CVEC Unrestricted Grant Funds - 2 Yrs.	$ 150,000	$ 82,500		$ -		$ 82,500
2022-1327-BOD-06-28-22	Youth Leadership Institute - Youth Voice in Mental Health - 2 Yrs.	$ 50,000	$ 27,500		$ -		$ 27,500
2022-1328-BOD-06-28-22	El Sol - Expanding Access to Educational Resources for Promotoras - 2 Yrs.	$ 150,000	$ 82,500		$ -		$ 82,500
2022-1331-BOD-06-28-22	Pueblo Unido - Improving Access to Behavioral Health Education and Prevention Services - 2 Yrs.	$ 50,000	$ 27,500		$ 11,250		$ 16,250
2022-1324-BOD-07-26-22	Galilee Center - Our Lady of Guadalupe Shelter - 2 Yr.	$ 100,000	$ 55,000		$ 22,500		$ 32,500
2022-1332-BOD-07-26-22	Alianza CV - Expanding and Advancing Outreach Through Increasing Capacity Development - 2 Yrs.	$ 100,000	$ 55,000		$ -		$ 55,000
2022-1329-BOD-09-27-22	DPMG - Mobile Medical Unit - 3 Yrs.	$ 500,000	$ 450,000		$ 46,395		$ 403,605
2022-1350-BOD-09-27-22	JFK Memorial Foundation - Behavioral Health Awareness and Education Program - 1 Yr.	$ 57,541	$ 5,755		$ -		$ 5,755
2022-1355-BOD-09-27-22	Joslyn Center - The Joslyn Wellness Center - 1 Yr.	$ 85,000	$ 8,500		$ -		$ 8,500
2022-1361-BOD-09-27-22	DAP Health - DAP Health Monkeypox Virus Response - 1 Yr.	$ 586,727	$ 340,654		$ 7,659		$ 332,995
	Unexpended funds Grant #1361						$ (332,995)
2022-1356-BOD-10-25-22	Blood Bank of San Bernardino/Riverside Counties - Coachella Valley Therapeutic Apheresis Program - 1 Yr.	$ 140,000	$ 77,000		$ 63,000		$ 14,000
2022-1358-BOD-10-25-22	Foundation for Palm Springs Unified School District - School-Based Wellness Center Project - 1 Yr.	$ 110,000	$ 60,500		$ -		$ 60,500
2022-1362-BOD-10-25-22	Jewish Family Service of the Desert - Mental Health Counseling Services for Underserved - 2 Yrs.	$ 160,000	$ 124,000		$ 36,000		$ 88,000
2022-1326-BOD-12-20-22	TODEC - TODEC's Equity Program - 2 Yrs.	$ 100,000	$ 77,500		$ -		$ 77,500
2022-1330-BOD-12-20-22	OneFuture Coachella Valley - Building a Healthcare Workforce Pipeline - 2 Yrs.	$ 605,000	$ 468,874		$ 68,062		$ 400,813
2022-1369-BOD-12-20-22	ABC Recovery Center - Cost of Caring Fund Project - 1 Yr.	$ 332,561	$ 257,735		$ 74,826		$ 182,909
2023-1333-BOD-01-24-23	Organizacion en California de Lideres Campesinas - Healthcare Equity for ECV Farmworker Women - 2 Yrs.	$ 150,000	$ 116,250		$ -		$ 116,250
2023-1363-BOD-01-24-23	Pegasus Riding Academy - Pegasus Equine Assisted Therapy - 1 Yr.	$ 60,092	$ 33,052		$ -		$ 33,052
2023-1372-BOD-02-28-23	Reynaldo J. Carreon MD Foundation - Dr. Carreon Scholarship Program - 1 Yr.	$ 50,000	$ 27,500		$ -		$ 27,500
2023-1391-BOD-05-23-23	Lift To Rise - Driving Regional Economic Stability Through Collective Impact - 3 Yrs.	$ 900,000	$ 832,500		$ -		$ 832,500
2023-1392-BOD-05-23-23	Galilee Center - Galilee Center Extended Shelter - 1 Yr.	$ 268,342	$ 207,965		$ -		$ 207,965
2023-1393-BOD-06-27-23	DAP Health - DAP Health Expands Access to Healthcare - 1 Yr.	$ 1,025,778	$ 1,025,778		$ 230,800		$ 794,978
2023-1398-BOD-06-27-23	Desert Healthcare Foundation - Core Operating Support - 1 Yr.	$ 750,000	$ 750,000		$ 750,000		$ -
2023-BOD-06-27-23	Carry over of remaining Fiscal Year 2022/2023 Funds for Mobile Medical Unit Program	$ 395,524	$ 395,524		$ -		$ 395,524
2023-1399-Mini-07-06-23	Theresa A. Mike Scholarship Foundation - Mini Grant			$ 10,000		$ 10,000	$ -
2023-1401-Mini-07-07-23	Word of Life Fellowship Center - Mini Grant			$ 10,000		$ 10,000	$ -
2023-1396-Mini-07-25-23	Boys & Girls Club of Coachella Valley - Mini Grant			$ 10,000		$ 10,000	$ -
2023-1389-BOD-07-25-23	Step Up on Second Street - Step Up's ECM/ILOS Programs in the Coachella Valley - 1 Yr.			$ 64,401		$ 28,980	$ 35,421
2023-1394-BOD-07-25-23	CSU San Bernardino Palm Desert Campus Nursing Street Medicine Program - 1 Yr.			$ 73,422		$ 33,040	$ 40,382
2023-1397-Mini-08-23-23	Well In The Desert - Mini Grant			$ 10,000		$ 10,000	$ -
2023-1402-Mini-09-05-23	Ronnie's House for Hope - Mini Grant			$ 10,000		$ 10,000	$ -
2023-1414-Mini-09-14-23	Desert Access and Mobility, Inc. - Mini Grant			$ 10,000		$ 10,000	$ -
2023-1400-BOD-09-26-23	Desert Arc - Desert Arc Health Care Program - 1 Yr.			$ 291,271		$ 65,536	$ 225,735
2023-1404-BOD-09-26-23	Martha's Village and Kitchen - Homeless Housing and Wrap-Around Services Expansion - 2 Yrs.			$ 369,730		$ -	$ 369,730
2023-1405-BOD-09-26-23	Variety Children's Charities of the Desert - Expansion of Core Programs and Services - 1Yr.			$ 120,852		$ 54,383	$ 66,469
TOTAL GRANTS		**$ 17,229,610**	**$ 8,944,395**	**$ 979,676**	**$ 1,340,194**	**$ 241,939**	**$ 8,003,337**
Amts available/remaining for Grant/Programs - FY 2023-24:							
Amount budgeted 2023-2024			$ 4,000,000			G/L Balance:	**9/30/2023**
Amount granted YTD:			$ (979,676)			2131	$ 5,528,337
Financial Audits of Non-Profits; Organizational Assessments			$ -			2281	$ 2,475,000
Net adj - Grants not used:	1361; 1301		$ 338,600				
Matching external grant contributions			$ -			**Total**	**$ 8,003,338**
Balance available for Grants/Programs			**$ 3,358,924**				**$ (0)**

DESERT HEALTHCARE
DISTRICT & FOUNDATION

Date: October 11, 2023

To: Finance & Administration Committee

Subject: Moss Levy & Hartzheim – FY2023 Audit Reports – District & RPP

Staff Recommendation: Consideration to approve the FY2023 Audit reports for the Desert Healthcare District and the Retirement Protection Plan (RPP).

Background:

- Moss Levy & Hartzheim LLP performed the audits of the District, Retirement Protection Plan, & Foundation.
- During the fiscal year, the Foundation continued to receive federal funding via Riverside County and other sources.
- The A-133 single audit is due March 31, 2024 and will be completed separately.
- All audit reports will be presented during the District committee meeting. However, the Foundation report will be approved during the Foundation's committee meeting.
- Craig Hartzheim, CPA, will present the following reports for your review and consideration for approval:

  1. Management Report and Auditor's Communication Letter
  2. District Audit Report
  3. Retirement Protection Plan (RPP) Audit Report
  4. Desert Healthcare Foundation Audit Report (Information only). To be approved during the Foundation's F&A Committee meeting)

- The District Retirement Protection Plan and Foundation audits received unmodified opinions with no findings.
- Staff recommends approval of the FY2023 Audit Reports for the District and Retirement Protection Plan.

Fiscal Impact:
None

DESERT HEALTHCARE DISTRICT,
DESERT HEALTHCARE FOUNDATION, AND
DESERT HOSPITAL RETIREMENT PLAN

MANAGEMENT REPORT
AND
AUDITOR'S COMMUNICATION LETTER

JUNE 30, 2023

DESERT HEALTHCARE DISTRICT,
DESERT HEALTHCARE FOUNDATION, AND
DESERT HOSPITAL RETIREMENT PLAN

JUNE 30, 2023

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MOSS, LEVY & HARTZHEIM LLP
CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS
CRAIG A HARTZHEIM, CPA
HADLEY Y HUI, CPA
ALEXANDER C HOM, CPA
ADAM V GUISE, CPA
TRAVIS J HOLE, CPA
WILSON LAM, CPA

COMMERCIAL ACCOUNTING & TAX SERVICES
8383 WILSHIRE BLVD., SUITE 800
BEVERLY HILLS, CA 90210
TEL: 310.670.2745
FAX: 310.670.1689
www.mlhcpas.com

GOVERNMENTAL AUDIT SERVICES
5800 E. HANNUM, SUITE E
CULVER CITY, CA 90230
TEL: 310.670.2745
FAX: 310.670.1689
www.mlhcpas.com

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

In planning and performing our audit of the financial statements of the Desert Healthcare District, Desert Healthcare Foundation, and Desert Hospital Retirement Plan (the entities), as of and for the fiscal year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the entities' 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 opinions 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

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 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.

During our audit, we noted no matters involving internal controls and their operations that are required to be reported under Government Auditing Standards, except for a potential of inadequate segregation of duties due to the small staff of the entities. This appears to be mitigated by the strong oversight of the Board of Directors in the operations of the entities.

We have included in this letter a summary of communications with the members of the Board of Directors as required by professional auditing standards. We would like to thank the entities' management and staff for the courtesy and cooperation extended to us during the course of our engagement.

The accompanying communications and recommendations are intended solely for the information and use of management, the members of the Board of Directors, and others within the entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
October 6, 2023

OFFICES: BEVERLY HILLS · CULVER CITY · SANTA MARIA

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CRAIG A HARTZHEIM, CPA
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To the Honorable Board of Directors, of the Desert Healthcare District,
Desert Healthcare Foundation, and Desert Hospital Retirement Plan (the entities)
Palm Springs, California

We have audited the financial statements of the Desert Healthcare District, Desert Healthcare Foundation, and Desert Hospital Retirement Plan (the entities) for the fiscal year ended June 30, 2023, and have issued our reports thereon dated September 8, 2023 and October 6, 2023. Professional standards require that we provide you with the information about our responsibilities under auditing standards generally accepted in the United States of America 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 dated May 22, 2023. 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. The District implemented GASB Statement No. 87 "Leases" during the fiscal year. 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 financial statements were:

> The estimated historical cost and useful lives of certain capital assets, the net fair market value of the charitable remainder trusts, the funding progress of the District's RPP plan and OPEB plan, and the estimate of an allowance for uncollectable receivables. Management's estimates of the estimated historical cost and useful lives of certain capital assets are based on historical data and industry guidelines, while the funding progress of the RPP plan and OPEB plan, and are based on consultants' estimates. The amount of estimated allowance for uncollectable receivables is based on historical data. We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

> The estimates for the Defined Benefit Pension Plan are in the notes to the financial statements.
> The estimates for the OPEB Plan are in the footnotes to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

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 such misstatements. The District booked an adjusting journal entry to record their leases as lessee and lessor in accordance with GASB Statement No. 87, which was considered material. The amounts were $175,612 and $3,048,911, respectively.

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 our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 6, 2023.

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.

Restriction on Use

This information is intended solely for the use of the members of the Board of Directors and management of the entities and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
October 6, 2023

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CULVER CITY, CA 90230
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To the Honorable Board of Directors, of the Desert Healthcare District,
Desert Healthcare Foundation, and Desert Hospital Retirement 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 Desert Healthcare District, Desert Healthcare Foundation, and Desert Hospital Retirement Plan (the entities), as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the entities' basic financial statements, and have issued our reports thereon dated September 8, 2023 and October 6, 2023.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 or significant deficiencies may exist that were not identified.

Report on 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 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*.

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 entities 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.

Moss, Levy & Hartzheim

MOSS, LEVY & HARTZHEIM, LLP
Culver City, California
October 6, 2023

CURRENT YEAR RECOMMENDATIONS

Other Matters

None

STATUS OF PRIOR YEAR RECOMMENDATION

None

DESERT HEALTHCARE DISTRICT

PALM SPRINGS, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

JUNE 30, 2023

DESERT HEALTHCARE DISTRICT

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BEVERLY HILLS, CA 90211
TEL: 310.670.2745
FAX: 310.670.1689
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GOVERNMENTAL AUDIT SERVICES
5800 HANNUM AVE., SUITE E
CULVER CITY, CA 90230
TEL: 310.670.2745
FAX: 310.670.1689
www.mlhcpas.com

INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

Opinion

We have audited the financial statements of the business type activities and the fiduciary fund financial statements of the Desert Healthcare District (District) as of and for the fiscal year ended June 30, 2023, 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 accompanying financial statements referred to above present fairly, in all material respects, the business type activities and the fiduciary fund financial statements of the the District as of June 30, 2023, and the respective changes in financial position for the fiscal 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 (GAAS) 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 the District, 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 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 the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 opinions. 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 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.

Change in Accounting Principle

For the fiscal year ending June 30, 2023, the District has implemented Government Accounting Standards Board Statement No. 96, *Subscription-based Information Technology Arrangements*. The change has no material impact on financial statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedules of Changes in the Net Pension Liability (Asset) and Related Ratios and the Schedule of Changes in Net OPEB Liability and Related Ratios be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 5, 2023, on our consideration of the 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 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 the District'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 the Plan's internal control over financial reporting and compliance.

Report on Comparative Information

The District's financial statements as of and for the fiscal year ended June 30, 2022, were audited by other auditors. They expressed an unmodified opinion on those audited financial statements in their report dated November 21, 2022. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
November 5, 2023

The Desert Healthcare District ("District") has issued its financial statements for the fiscal years ended June 30, 2023, and June 30, 2022, 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 Trust 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 long-term debt.

The Statement of Revenues, Expenses, and Changes in Net Position (Income Statement) provides 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 2023 HIGHLIGHTS

Desert Healthcare 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 has provided funding and access to programs and services to residents of the healthcare district. By a vote of the public in November 2018, the District boundaries expanded to include the entire Coachella Valley, more than doubling its population and service area. The Board of Directors was increased from 5 to 7 members.

DESERT HEALTHCARE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 2023 AND 2022

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 2023 and 2022.

Table A

	6/30/2023	6/30/2022	Change
Assets:			
Cash and cash equivalents	$ 4,351,293	$ 9,116,884	$ (4,765,591)
Investments	63,214,530	56,557,955	6,656,575
Lease receivables	3,048,911	-	3,048,911
Capital assets, net	11,108,118	11,518,194	(410,076)
Net Pension Asset	1,457,140	1,009,246	447,894
All Other Assets	558,178	366,284	191,894
Total Assets	$ 83,738,170	$ 78,568,563	$ 5,169,607
Deferred Outflows:			
GASB 68 Reporting for Pension Plans	$ 587,440	$ 836,699	$ (249,259)
Total Deferred Outflows	$ 587,440	$ 836,699	$ (249,259)
Liabilities:			
Grants payable	$ 8,944,394	$ 10,552,067	$ (1,607,673)
All Other Liabilities	813,430	601,933	211,497
Total Liabilities	$ 9,757,824	$ 11,154,000	$ (1,396,176)
Deferred Inflows:			
GASB 68 Reporting for Pension Plans	$ 564,584	$ 492,802	$ 71,782
Leases	2,982,703	-	2,982,703
Total Deferred Inflows	$ 3,547,287	$ 492,802	$ 3,054,485
Net Assets:			
Net investment in capital assets	11,105,377	11,518,194	$ (412,817)
Restricted for pension	1,479,996	1,353,143	126,853
Unrestricted	58,435,126	54,887,123	3,548,003
Total Net Position	$ 71,020,499	$ 67,758,460	$ 3,262,039

The $3,262,039 increase in Total Net Position is due to the net income of $3,238,989 for the current fiscal year ended June 30, 2023, and a prior year adjustment of $23,050*. This compares to net income of $349,532 for the fiscal year ended June 30, 2022. The increase is primarily due to a net combination of a $1,153,776 increase in Property Tax Revenue, and $2,088,757 increase in Investment Revenue. The $4,765,591 decrease in cash and cash equivalents, and $6,656,575 increase in Investments is due primarily to an increase in property tax receipts, increase in investment purchases, and increase in annual disbursements. The $3,048,911 increase in Lease Receivables, and $2,982,703 increase in Deferred Inflows from leases are due to changes in how leases are recognized in compliance with GASB 87. The $447,894 increase in Net Pension Assets, $249,259 decrease in Deferred Outflows, and $71,782 of the increase in Deferred Inflows are due to the current GASB 68 valuation report for the Retirement Protection Plan. The $191,600 increase in All Other Assets is due primarily to the addition of Right of Use Assets. The $1,607,673 decrease in Grants Payable is due primarily to more grant disbursements than new accrued grants. The $211,497 increase in All Other Liabilities is due primarily to the acknowledgement of the liability for the added Right of Use Assets.

* This prior year adjustment was applied to net position to comply with how leases are accounted for under GASB 87. With this change comes adjustments to how lease revenue is classified, moving it into the nonoperating category. Lease receivables, lease payables, Deferred Inflows from Leases, and Right of Use Assets have all been added to the financial statements to document the respective assets and liabilities.

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 grant and preventative health initiative 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 the 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 2023 results to Fiscal Year 2022.

Table B

	6/30/23	6/30/22	Change
Revenue:			
Property Tax Revenue	$ 9,624,970	$ 8,471,194	$ 1,153,776
All other income	10,184	232,189	(222,005)
Total Revenue	$ 9,635,154	$ 8,703,383	$ 931,771
Expenses:			
Grants program	$ 4,000,000	$ 4,024,467	$ (24,467)
Administrative Expense	3,732,100	2,460,813	1,271,287
Total Expense	$ 7,732,100	$ 6,485,280	$ 1,246,820
Nonoperating Income(Expenses):			
Rental income, net of expenses	$ 870,051	$ 232,564	$ 637,487
All other nonoperating income	465,884	(2,101,135)	2,567,019
Total Nonoperating	$ 1,335,935	$ (1,868,571)	3,204,506
Net Income (Loss)	$ 3,238,989	$ 349,532	$ 2,889,457

Revenue
Property taxes are the District's primary source of operating revenues. The property tax revenue for the fiscal year ended June 30, 2023, was $9,624,970, which was an increase of $1,153,776 from the fiscal year ended June 30, 2022.

All other income for the fiscal year ended June 30, 2023, decreased $222,005, compared to the fiscal year ended June 30, 2022. The decrease was due primarily to a $174,707 decrease in miscellaneous income, a $24,466 decrease in Grant Income, and other changes related to the recognition of income from a cell tower lease (now nonoperating), compared to the fiscal year ended June 30, 2022.

Expenses
Grant Program expenses for the fiscal year ended June 30, 2023, decreased by $24,467 compared to the fiscal year ended June 30, 2022. This is due primarily to the conclusion of the CalFresh grant program during the fiscal year ended June 30, 2022. 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, 2023, increased $1,271,287 from the fiscal year ended June 30, 2022. This net increase is due to a $255,133 increase in general expenses, $207,993 increase in salary and benefits, $33,033 increase in legal expenses, $548,345 increase in depreciation primarily from the addition of the mobile medical unit, $129,577 increase in other, $97,206 increase in election fees.

Nonoperating Income (Expenses) for the fiscal year ended June 30, 2023, varies by $3,204,506 from fiscal year ended June 30, 2022. The variance is due to a $2,088,757 increase in investment income, addition of $637,487 net income from the Las Palmas Medical Plaza, a $459,398 increase in the Retirement plan, and a $18,864 decrease in investment expenses.

CAPITAL ASSETS

At June 30, 2023, the District had $23,979,572 in capital assets and $12,871,454 in accumulated depreciation, resulting in $11,108,118 net capital assets. At June 30, 2022, the District had $23,673,763 in capital assets and $12,155,569 accumulated depreciation, resulting in $11,518,194 net capital assets.

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

Table C

	Balance 6/30/21	Net Additions	Net Retirements	Balance 6/30/22	Net Additions	Net Retirements	Balance 6/30/23
Cost	$ 22,949,667	$ 1,288,054	$ (563,959)	$ 23,673,763	$ 309,196	$ (3,387)	$ 23,979,572
Acc. Depreciation	(11,495,098)	(675,678)	15,208	(12,155,569)	(719,272)	3,387	(12,871,454)
Capital Assets, Net	$ 11,454,569	$ 612,376	$ (548,751)	$ 11,518,194	$ (410,076)	$ -	$ 11,108,118

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 2024 budgets for the District and the Foundation reflect revenues of $10,293,680 and $2,471,000, respectively, and operating expenses of $9,536,554 and $3,591,036, respectively. Capital expenditures are budgeted at $350,000. During the fiscal year ended June 30, 2023, the District and Foundation awarded $6,566,566, and $2,343,776, respectively, in new grants and distributed grants in the amount of $3,607,672 and $1,859,816, respectively. Projected new grants to be awarded for the fiscal year 2023–2024 amount to $4,000,000, and $2,704,000, respectively, and distributions for grants could possibly total $12,943,887 and $7,305,783, respectively, due to the existing grant liability as of June 30, 2023, 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 awarded funding totals $4,415,967 to date.

The District has established a reserve fund of approximately $65,000,000 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

STATEMENT OF NET POSITION
JUNE 30, 2023

WITH COMPARATIVE TOTALS AS OF JUNE 30, 2022

	2023	2022
CURRENT ASSETS		
Cash and cash equivalents	$ 4,351,293	$ 9,116,884
Investments	7,355,380	12,984,830
Accounts receivable - net	195,891	253,350
Prepaid items and deposits	168,230	112,934
Total current assets	12,070,794	22,467,998
NON-CURRENT ASSETS		
Investments	55,859,150	43,573,125
Lease receivables	3,048,911	
Capital assets, net	11,108,118	11,518,194
Right to use assets, net	194,057	
Net pension asset	1,457,140	1,009,246
Total non-current assets	71,667,376	56,100,565
DEFERRED OUTFLOWS		
Deferred Outflows of Resources:		
Pension plans	587,440	836,699
Total deferred outflows of resources	587,440	836,699
TOTAL ASSETS AND DEFERRED OUTFLOWS	84,325,610	79,405,262
CURRENT LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	429,398	441,775
Grants payable	6,469,394	7,032,067
Compensated absences	97,596	80,168
Disability claims, reserve, current portion		14,803
Lease payable, current portion	21,186	
Total current liabilities	7,017,574	7,568,813
NON-CURRENT LIABLILITIES		
Grants payable	2,475,000	3,520,000
Long-term disability claims reserve		2,982
Lease payable	175,612	
Deposits payable	89,638	62,205
Total non-current liabilities	2,740,250	3,585,187
DEFERRED INFLOWS		
Deferred Inflows of Resources:		
Pension plans	564,584	492,802
Leases	2,982,703	
Total deferred inflows of resources	3,547,287	492,802
TOTAL LIABILITIES AND DEFERRED INFLOWS	13,305,111	11,646,802
NET POSITION		
Net investment in capital assets	11,105,377	11,518,194
Restricted for pension	1,479,996	1,353,143
Unrestricted	58,435,126	54,887,123
TOTAL NET POSITION	$ 71,020,499	$ 67,758,460

The accompanying notes are an integral part of these financial statements

DESERT HEALTHCARE DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	2023	2022
OPERATING REVENUES		
Property taxes	$ 9,624,970	$ 8,471,194
Other income	10,184	232,189
Total revenues	9,635,154	8,703,383
OPERATING EXPENSES		
Grant allocations	4,000,000	4,024,467
General expenses	1,030,083	774,950
Salaries and benefits	1,369,696	1,161,703
Legal fees	120,798	87,765
Depreciation and amortization	741,450	193,105
Other	372,867	243,290
Election fees	97,206	
Total expenditures	7,732,100	6,485,280
Income (loss) from operations	1,903,054	2,218,103
NONOPERATING INCOME (EXPENSES)		
Investment income (loss)	347,590	(1,741,167)
Rental income, net of expenses	870,051	232,564
Retirement plan/benefits change	186,853	(272,545)
Investment expenses	(68,559)	(87,423)
Total nonoperating income (loss)	1,335,935	(1,868,571)
Increase (decrease) in net position	3,238,989	349,532
NET POSITION		
Beginning of fiscal year	67,758,460	67,408,928
Prior period adjustments	23,050	
Net position at beginning of fiscal year, restated	67,781,510	67,408,928
End of fiscal year	$ 71,020,499	$ 67,758,460

The accompanying notes are an integral part of these financial statements

DESERT HEALTHCARE DISTRICT

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from County	$ 9,624,970	$ 8,452,887
Cash received from Grantors		209,733
Cash payments to suppliers for goods and services	(1,662,630)	(414,321)
Cash payments to employees for services and benefits	(1,367,071)	(1,171,055)
Cash payments to grantees	(5,607,673)	(2,974,026)
Other operating revenues	67,643	71,249
Net cash provided by operating activities	1,055,239	4,174,467
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(309,196)	(739,303)
Lease related expenses	(24,000)	
Net cash provided (used) by capital and related financing activities	(333,196)	(739,303)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings	248,235	
Rental income, net	862,252	232,564
Net investment sales (purchases)	(6,598,121)	(4,744,422)
Net cash provided (used) by investing activities	(5,487,634)	(4,511,858)
Net decrease in cash	(4,765,591)	(1,076,694)
CASH AND CASH EQUIVALENTS, BEGINNING OF FISCAL YEAR	9,116,884	10,193,578
CASH AND CASH EQUIVALENTS, END OF FISCAL YEAR	$ 4,351,293	$ 9,116,884
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION		
Cash and cash equivalents	$ 4,351,293	$ 9,116,884

(Continued)

The accompanying notes are an integral part of these financial statements

DESERT HEALTHCARE DISTRICT

STATEMENT OF CASH FLOWS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2022

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	2023	2022
Income from operations	$ 1,903,054	$ 2,218,103
Adjustments to reconciliation of income from operations to net cash provided by operating activities:		
Depreciation and amortization	741,450	675,678
Changes in assets, deferred outflows, liabilities and deferred inflows:		
Accounts receivable	57,459	90,398
Prepaid items and deposits	(55,296)	(32,181)
Accounts payable and accrued liabilities	(13,813)	178,450
Grants payable	(1,607,673)	1,050,441
Deposits payable	27,433	9,685
Compensated absences	17,428	(2,807)
Long-term disability claims reserve	(14,803)	(13,300)
Net cash provided by operating activities	$ 1,055,239	$ 4,174,467

The accompanying notes are an integral part of these financial statements

DESERT HEALTHCARE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
DESERT HEALTHCARE FOUNDATION
JUNE 30, 2023

WITH COMPARATIVE TOTALS AS OF JUNE 30, 2022

	Private- Purpose Trust Fund	
	2023	2022
CURRENT ASSETS		
Cash and cash equivalents	$ 479,488	$ 516,636
Grants receivable	183,530	2,217,209
Prepaid items	6,747	3,000
Accrued interest and dividend receivable	14,345	
Total current assets	684,110	2,736,845
OTHER ASSETS		
Contributions receivable - charitable remainder trusts	196,140	188,389
Investments	4,429,454	4,181,156
Total other assets	4,625,594	4,369,545
TOTAL ASSETS	5,309,704	7,106,390
LIABILITIES		
Current liabilities:		
Accounts payable	21,965	12,973
Grants payable - current portion	1,741,281	795,028
Total current liabilities	1,763,246	808,001
Long-term liabilities:		
Grants payable - long-term		200,000
Total long-term liabilities		200,000
Total liabilities	1,763,246	1,008,001
NET POSITION	$ 3,546,458	$ 6,098,389

DESERT HEALTHCARE DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
DESERT HEALTHCARE FOUNDATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Private-Purpose Trust Fund	
	2023	2022
ADDITIONS		
Contributions	$ 219,714	$ 40,275
Grants	935,828	2,168,605
Bequests	57,520	57,080
Interest and dividends	114,841	138,889
Investment gains and losses	190,543	(498,074)
Change in value - charitable trusts	7,751	(12,420)
Total support and revenue	1,526,197	1,894,355
DEDUCTIONS		
Grants and services	3,379,746	1,079,948
Management and general	698,382	565,599
Total expenses	4,078,128	1,645,547
INCREASE (DECREASE) IN NET POSITION	(2,551,931)	248,808
NET POSITION, BEGINNING OF FISCAL YEAR	6,098,389	5,905,042
PRIOR PERIOD ADJUSTMENT		(55,461)
NET POSITION, BEGINNING OF FISCAL YEAR, RESTATED	6,098,389	5,849,581
NET POSITION, END OF FISCAL YEAR	$ 3,546,458	$ 6,098,389

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 District's 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.

As required by U.S. 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:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Financial Reporting Entity — Continued

- 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 the District.

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

Desert Healthcare Foundation (Foundation)

The Foundation is a nonprofit 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 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 Position, Statement of Revenues, Expenditures, and Changes in Net Position, and a Statement of Cash Flows. These statements present summaries of business-type activities for the District.

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 Position. The Statement of Revenues, Expenses, and Changes in Net Position presents changes in net position for the fiscal 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 Position. Their reported fund equity presents total net position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. 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 Fiduciary 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 benefit of the District. The Fiduciary fund is accounted for using the accrual basis of accounting.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Accounting and Measurement Focus – Continued

Use of Restricted/Unrestricted Net Position
When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the Foundation's policy is to apply restricted net position 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.

Leases Receivable/Payable
GASB issued Statement No. 87 "Leases" to better meet the information needs of financial statements users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease asset and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. See Notes 5, 10 and 11 for additional information on right to use assets, lease receivables, and lease payable, respectively.

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

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 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

Right To Use Assets
The District has recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease. See Note 5 for additional information.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

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 (U.S. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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 Note 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 Notes 10 and 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 $64,831,524 as of June 30, 2023, 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, 2023	June 30, 2022
District's Statement of Net Position:		
Cash and cash equivalents	$ 4,351,293	$ 9,116,884
Investments	63,214,530	56,557,955
Fiduciary Statement of Net Position:		
Cash and cash equivalents	479,488	516,636
Investments	4,429,454	4,181,156
Total Cash and Investments	$ 72,474,765	$ 70,372,631

3. CASH AND INVESTMENTS (CONTINUED)

Cash and Investments consist of the following:

	June 30, 2023	June 30, 2022
Cash on Hand	$ 707	$ 700
Cash in Bank-District	2,733,799	3,094,102
Cash in Bank-Foundation	360,890	396,370
Money Market Funds	1,735,385	6,142,348
Investments	67,643,984	60,739,111
Total Cash and Investments	$ 72,474,765	$ 70,372,631

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.

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	$75 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	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
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment 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.

As of June 30, 2023

		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*	$ 1,152,794	$ 114,560	$ 203,289	$ 91,389	$ 213,038	$ 530,518
U.S. Treasury Notes	63,214,530	7,355,380	41,061,390	8,090,990	3,760,980	2,945,790
U.S. Treasury Notes*	654,290		100,461			553,829
Domestic Common Stock*	2,622,370	2,622,370				
Total	$ 67,643,984	$ 10,092,310	$ 41,365,140	$ 8,182,379	$ 3,974,018	$ 4,030,137

* Held by Foundation

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	54,675,944	10,984,330	6,325,095	37,248,030		118,489
U.S. Treasury Notes*	124,170			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

3. 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 District's investment policy, and the actual rating as of fiscal year end for each investment type.

As of June 30, 2023:

				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*	$ 1,152,794	N/A	$ -	$ 137,653	$ 408,007	$ 607,134	$ -
U.S. Treasury Notes	63,214,530	N/A	63,214,530				
U.S. Treasury Notes*	654,290	N/A	654,290				
Domestic Common Stock*	2,622,370	N/A					2,622,370
Total	$ 67,643,984		$ 63,868,820	$ 137,653	$ 408,007	$ 607,134	$ 2,622,370

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

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	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 minimun 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 and 2023 that represent 5% or more of total District investments (other than U.S. Treasury Notes).

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, 2023 and 2022, 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.

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

3. CASH AND INVESTMENTS – Continued

The District has the following recurring fair value measurements;

As of June 30, 2023

Investments by fair value	Total	Fair Value Measurement Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities				
Corporate Bonds	$ 1,152,794	$ 1,152,794	$ -	$ -
U.S. Treasury Notes	63,868,820	63,868,820		
Domestic Common Stock	2,622,370	2,622,370		
	$ 67,643,984	$ 67,643,984	$ -	$ -

As of June 30, 2022

Investments by fair value	Total	Fair Value Measurement Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities				
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	$ -	$ -

4. CAPITAL ASSETS

Business-Type Activities

At June 30, 2023 and 2022, the capital assets of the business-type activities consisted of the following:

June 30, 2023

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Non-depreciable assets				
Land	$ 3,859,100	$ -	$ -	$ 3,859,100
Construction in progress	722,368	137,714		860,082
Total non-depreciable assets	4,581,468	137,714		4,719,182
Depreciable assets:				
Buildings and improvements	18,968,473	139,900		19,108,373
Furniture and equipment	123,822	31,582	(3,387)	152,017
Total	19,092,295	171,482	(3,387)	19,260,390
Less accumulated depreciation	(12,155,569)	(719,272)	3,387	(12,871,454)
Total depreciable assets, net	6,936,726	(547,790)		6,388,936
Total Capital Assets, Net	$ 11,518,194	$ (410,076)	$ -	$ 11,108,118

4. CAPITAL ASSETS (CONTINUED)

Business-Type Activities (Continued)

Depreciation expense consists of operating expense depreciation of $221,966 and rental expense depreciation of $497,306.

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:				
Buildings and improvements	18,247,013	735,961	(14,501)	18,968,473
Furniture and equipment	113,742	10,787	(707)	123,822
Total	18,360,755	746,748	(15,208)	19,092,295
Less accumulated depreciation	(11,495,099)	(675,678)	15,208	(12,155,569)
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.

5. RIGHT TO USE ASSET

The District has recorded one right to use leased asset. The asset is a right to use asset for office space. The related lease payable is discussed in Note 11. The right to use lease asset is amortized on a straight-line basis over the terms of the related leases.

Right to use asset activity for the District for the fiscal year ended June 30, 2023, was as follows:

June 30, 2023

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Right to use asset				
Building	$ -	$ 216,235	$ -	$ 216,235
Total right to use asset		216,235		216,235
Less accumulated amortization		(22,178)		(22,178)
Total right to use asset, net	$ -	$ 194,057	$ -	$ 194,057

6. RESTRICTED NET POSITION

The District had $1,479,996 and $1,353,143 of restricted net position at June 30, 2023 and 2022, respectively, related to the District's net pension asset.

7. SPLIT INTEREST AGREEMENTS – FOUNDATION

At June 30, 2023 and 2022, the split interest agreements of the fiduciary fund consisted of the following:

	2023	2022
Contributions receivable - charitable remainder trusts	$ 196,140	$ 188,389
Total	$ 196,140	$ 188,389

Charitable Remainder 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 two 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 June 30, 2023 and 2022.

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, 2023 and 2022 was $70,118 and $62,367, respectively.

8. 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, 2023 and 2022, the total grant awards payable were $8,944,394 and $10,552,067, respectively. Total grant expense for the fiscal years ended June 30, 2023 and 2022 amounted to $4,000,000 and $4,024,467, respectively.

The Foundation has granted awards to various healthcare providers that provide needed healthcare services. At June 30, 2023 and 2022, the total grant awards payable were $1,741,281 and $995,028, respectively. Total grants and services expense for the years ended June 30, 2023 and 2022 amounted to $3,379,746 and $1,079,948, respectively.

9. LONG-TERM DISABILITY CLAIMS RESERVE

Long-term disability claims were self-insured by the District. Claimants' payments are administered internally and made pursuant to the plan. Claimants are paid either to age 65 or until they return to work. At June 30, 2023 and 2022, the long-term disability claims reserves were as follows:

	Balance at July 1, 2022	Claims Paid	Changes in Estimates	Balance at June 30, 2023	Due Within One Year
Claims payable	$ 17,785	$ (17,785)	$ -	$ -	$ -

	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

10. LEASE RECEIVABLE

Las Palmas Medical Plaza

The District currently has 10 office building lease agreements that are subject to GASB 87 in place as of June 30, 2023 at the Las Palmas Medical Plaza. Revenue recognition is in accordance with GASB Statement No. 87. The leases were entered into at various dates but under reporting requirements of GASB Statement No.87, they all commence on July 1, 2021, without the need to restate balances that existed prior to that date. Summarized information for each lease is as follows:

Lessee	Location	Monthly rent for fiscal year ended June 30, 2023	Expiration	Lease receivable as of June 30, 2023
Eyecare Services Partner	1E 101-102	$ 4,840	3/31/2033	$ 576,624
Palm Tree Medical	1E 201-203	1,950	1/31/2028	280,530
Pathway Diagnostics	1W 101	1,788	12/31/2027	99,642
Quest Diagnostics	1W 102-103	2,893	5/31/2035	470,953
Cohen, Musch, Thomas Med Group	1W 105-106	3,006	11/30/2024	51,761
Cure Cardiovascular Consultants	1W 202-203	2,240	8/31/2027	116,510
Coachella Valley Volunteers in Medicine	1W 204	2,240	11/30/2028	151,724
Wolfson, MD	2W 101	2,714	7/31/2025	69,661
Global Premier Fertility	3W 101	2,981	12/31/2026	132,098
Gundry and Ehrman, MD	3W 103-104	4,219	7/31/2027	225,341

10. LEASE RECEIVABLE (CONTINUED)

Imperial Park Land Lease
In July 1994, the District was distributed certain parcels of land that underlies the Park Imperial North Condominium Project on Vista Chino in Palm Springs, California. The term of the lease is for 98 years beginning in October 1959, prior to distribution to the District. Rent payments from the condominium project are $750 per month. Payments received during the fiscal year were $750 monthly from July 2022 through June 2023. The lease will expire in June 2057.

T-Mobile Cell Tower
In August 2021, the District entered into a lease with T-Mobile West LLC for use of land for the operation of cellular towers at 1150 No. Indian Canyon Dr. in Palm Springs, California. The term was for 5 years and includes four additional optional 5-year terms. If all extensions are exercised the lease would end in August of 2046. The options to extend are exercised unless written notification of cancellation occurs within 60 days prior to the expiration of the existing term. Initial rent payments were $2,000 a month increasing by 15% every exercise of extension following the first extension under the terms of the lease. Payments received during the fiscal year were $2,000 monthly from July 2022 through June 2023. The current 5-year term will expire in August 2026.

11. LEASE PAYABLE

The District has entered into agreements to lease office space. The lease agreements qualify as other than short-term leases under GASB Statement No.87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The first agreement was executed on July 1, 2021, to lease office space at 41550 Eclectic St. in Palm Springs, California. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 1.49%, which is Federal funds rate at the time of inception. As a result of the lease, the District has recorded a right to use asset with a net book value of $194,057 at June 30, 2023. The right to use asset is discussed in more detail in Note 5.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2023, were as follows:

Fiscal Year	Lease Payable		
Ended June 30,	Principal	Interest	Total
2024	$ 21,186	$ 2,814	$ 24,000
2025	21,504	2,496	24,000
2026	21,827	2,173	24,000
2027	22,154	1,846	24,000
2028	22,487	1,513	24,000
2029-2032	87,640	4,360	92,000
	$ 196,798	$ 15,202	$ 212,000

12. 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.

13. 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 457(B) and 401(A) retirement plans. 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 during the fiscal year 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 fiscal years ended June 30, 2023 and 2022 were $120,339 and $105,943, 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 financial statements for more detailed 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.

14. DESERT HOSPITAL RETIREMENT PROTECTION PLAN – Continued

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 (dated as of June 30, 2023), the Plan's independent actuary determined that the actuarial value of the Plan's net pension asset was $1,457,140 at June 30, 2023 and $1,009,246 at June 30, 2022. In the report it was recommended that an actuarially determined contribution of $0 as of June 30, 2023 and $0 as of June 30, 2022, should be made due to the Plan's funded status.

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.

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)	182%	N/A	N/A
6/30/2022	4,597,838	3,588,592	(1,009,246)	128%	N/A	N/A
6/30/2023	4,493,259	3,036,119	(1,457,140)	148%	N/A	N/A

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

14. DESERT HOSPITAL RETIREMENT PROTECTION PLAN – Continued

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

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

Employees Covered
At June 30, 2023 and 2022, the following employees were covered by the benefit terms:

	2023	2022
Inactive plan members if beneficiaries currently receiving benefits	7	7
Inactive plan members entitled to but not yet receiving benefits	58	59
Active plan members	68	88
Total Employees Covered	133	154

Contributions
There have been no contribution requirements by the District since May 31, 1997. Participant contributions to the Plan are not permitted.

Net Pension Liability (Asset)

The District's net pension liability (asset) 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 liability is shown below.

Actuarial Assumptions
The total pension liability in the June 30, 2023 actuarial valuations were determined using the following actuarial assumptions:

Inflation	2.75%
Discount rate	6.56%, net of pension plan investment expense, including inflation.
Measurement date	June 30, 2023, based on a valuation date of June 30, 2023.
Ad hoc cost-of-living increases	Not applicable
Mortality	Pre-Retirement: None Post-Retirement: PubG-2010 Sex distinct mortality tables projected generationally with Scale MP-2021
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	100% retirement 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.
Other assumptions	See actuarial assumptions provided in the June 30, 2023 funding valuation for other relevant assumptions.

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

14. DESERT HOSPITAL RETIREMENT PROTECTION PLAN – Continued

Net Pension Liability (Asset) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.56 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 6.56 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 6.56 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 6.71 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 2023-2024 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.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. 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.

14. DESERT HOSPITAL RETIREMENT PROTECTION PLAN – Continued

Net Pension Liability (Asset) (Continued)

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%	1.22%
Domestic equities	48.0%	4.96%
International equities	12.0%	4.62%
Cash	5.0%	-0.15%

Changes in the Net Pension Liability (Asset)

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Position Liability/(Asset) (c) = (a) - (b)
Balance, June 30, 2022	$ 3,588,592	$ 4,597,838	$ (1,009,246)
Changes in Recognized for the Measurement Period:			
Employer Contributions			
Interest on the Total Pension Liability	207,687		207,687
Differences between Expected and Actual Experience	(224,667)		(224,667)
Changes in Assumptions	(14,943)		(14,943)
Net Investment Income *		415,971	(415,971)
Benefit Payments, including Refunds of Employee Contributions	(520,550)	(520,550)	
Administrative Expenses			
Net Changes during 2022-2023	(552,473)	(104,579)	(447,894)
Balance, June 30, 2023	$ 3,036,119	$ 4,493,259	$ (1,457,140)

* Net of administrative expenses.

14. DESERT HOSPITAL RETIREMENT PROTECTION PLAN – Continued

Changes in the Net Pension Liability (Asset) (Continued)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 6.56 percent, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (5.56 percent) or 1 percentage-point higher (7.56 percent) than the current rate:

	1% Decrease (5.56%)	Current Discount Rate (6.56%)	1% Increase (7.56%)
Net pension liability	$ (1,406,256)	$ (1,457,140)	$ (1,502,525)

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, 2023, the District recognized pension expense of $84,991. At June 30, 2023, 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	$ -	$ (112,333)
Net differences between projected and actual earnings on pension plan investments	587,440	(444,780)
Changes in assumptions		(7,471)
Total	$ 587,440	$ (564,584)

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
2024	$ (84,002)
2025	(14,173)
2026	150,094
2027	(29,063)
Total	$ 22,856

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 $750,000 and $2,000,000 to the Foundation, to help fulfill their purpose during June 30, 2023 and 2022, respectively. The District also provided the Foundation with office space and personnel of $650,785 and $534,792 during June 30, 2023 and 2022, respectively.

Grants payable to the Foundation as of June 30, 2023 amounted to $750,000. As of June 30, 2023 accounts receivable from the Foundation were $0.

The Desert Healthcare District awarded and disbursed grant funds to a grantee, Vision y Compromiso, whose associate director is the District's CEO's wife. At June 30, 2023 and 2022, total grants awarded to Vision y Compromiso were $0 and $150,000, respectively. Total grant funds expended to Vision y Compromiso for the fiscal year ended June 30, 2023 and 2022 amounted to $67,500 and $0, respectively.

16. PRIOR PERIOD ADJUSTMENTS

There was a prior period adjustment of $24,486 on the statement of activities related to the understatement of lease receivables and the understatement of deferred inflows of resources.

There was a prior period adjustment of $(1,436) on the statement of activities related to an understatement of bank fees in the prior fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

DESERT HEALTHCARE DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2023

Prepared for the Desert Healthcare District, a Single-Employer Defined Benefit Pension Plan as of June 30, 2023

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

	06/30/2023	06/30/2022	06/30/2021	06/30/2020	06/30/2019
Total pension liability					
Service cost	$ 0	$ 0	$ 0	$ 0	$ 0
Interest	207,687	229,605	342,696	374,170	385,951
Changes of benefit terms	0	0	0	0	0
Differences between expected and actual experience	(224,667)	0	(1,123,559)	0	(802,110)
Changes of assumptions	(14,943)	23,267	(4,503,151)	912,601	769,854
Benefit payments, including refunds of member contributions	(520,550)	(172,220)	(596,263)	(208,084)	(511,792)
Net change in total pension liability	(552,473)	80,652	(5,880,277)	1,078,687	(158,097)
Total pension liability - beginning	3,588,592	3,507,940	9,388,217	8,309,530	8,467,627
Total pension liability - ending (a)	**$ 3,036,119**	**$ 3,588,592**	**$ 3,507,940**	**$ 9,388,217**	**$ 8,309,530**
Plan fiduciary net position					
Contributions - employer	$ 0	$ 0	$ 0	$ 0	$ 0
Contributions - member	0	0	0	0	0
Contributions - nonemployer contributing member	0	0	0	0	0
Net investment income	415,971	(544,914)	1,127,272	78,140	235,865
Benefit payments, including refunds of member contributions	(520,550)	(172,220)	(596,263)	(208,084)	(511,792)
Administrative expenses	0	0	0	0	0
Other	0	0	0	0	0
Net change in plan fiduciary net position	$ (104,579)	$ (717,134)	$ 531,009	$ (129,944)	$ (275,927)
Plan fiduciary net position - beginning	4,597,838	5,314,972	4,783,963	4,913,907	5,189,834
Plan fiduciary net position - ending (b)	**$ 4,493,259**	**$ 4,597,838**	**$ 5,314,972**	**$ 4,783,963**	**$ 4,913,907**
Net pension liability - ending (a) - (b)	**$ (1,457,140)**	**$ (1,009,246)**	**$ (1,807,032)**	**$ 4,604,254**	**$ 3,395,623**
Plan fiduciary net position as a percentage of the total pension liability	147.99%	128.12%	151.51%	50.96%	59.14%
Covered-employee payroll	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Net pension liability as percentage of covered - employee payroll	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable

	06/30/2018	06/30/2017	06/30/2016	06/30/2015
Total pension liability				
Service cost	$ 0	$ 0	$ 0	$ $0
Interest	399,298	321,990	397,980	418,035
Changes of benefit terms	0	0	0	0
Differences between expected and actual experience	0	(437,093)	(493,455)	(537,578)
Changes of assumptions	315,705	(2,852,163)	1,944,607	0
Benefit payments, including refunds of member contributions	(466,670)	(382,380)	(459,397)	(304,264)
Net change in total pension liability	248,333	(3,349,646)	1,389,735	(423,807)
Total pension liability - beginning	8,219,294	11,568,940	10,179,205	10,603,012
Total pension liability - ending (a)	**$ 8,467,627**	**$ 8,219,294**	**$ 11,568,940**	**$ $10,179,205**
Plan fiduciary net position				
Contributions - employer	$ 0	$ 3,400,000	$ 0	$ 0
Contributions - member	0	0	0	0
Contributions - nonemployer contributing member	0	0	0	0
Net investment income	347,969	426,828	(6,638)	70,805
Benefit payments, including refunds of member contributions	(466,670)	(382,380)	(459,397)	(304,264)
Administrative expenses	(35,638)	(24,513)	(14,983)	(17,892)
Other	0	0	0	0
Net change in plan fiduciary net position	$ (154,339)	$ 3,419,935	$ (481,018)	$ (251,351)
Plan fiduciary net position - beginning	5,344,173	1,924,238	2,405,256	2,656,607
Plan fiduciary net position - ending (b)	**$ 5,189,834**	**$ 5,344,173**	**$ 1,924,238**	**$ $2,405,256**
Net pension liability - ending (a) - (b)	**$ 3,277,793**	**$ 2,875,121**	**$ 9,644,702**	**$ 7,773,949**
Plan fiduciary net position as a percentage of the total pension liability	61.29%	65.02%	16.63%	23.63%
Covered-employee payroll	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Net pension liability as percentage of covered - employee payroll	Not Applicable	Not Applicable	Not Applicable	Not Applicable

(Continued)

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

Prepared for the Desert Healthcare District, a Single-Employer Defined Benefit Pension Plan as of June 30, 2023

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

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%

- 2022 to 2023 Discount rate changed from 6.24% to 6.56%

DESERT HEALTHCARE DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2023

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

Measurement period	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018
Total OPEB Liability						
Service Cost	$ -	$ -	$ -	$ -	$ -	$ -
Changes in assumptions	-	-	-	(3,245)	(908)	-
Interest on the Total OPEB Liability	-	-	-	2,957	3,684	4,057
Benefit Payments and write offs	-	-	(67,364)	(20,321)	(23,490)	(22,587)
Net Change in Total OPEB Liability			(67,364)	(20,609)	(20,714)	(18,530)
Total OPEB Liability - Beginning	-	-	67,364	87,973	108,687	127,217
Total OPEB Liability - Ending (a)	$ -	$ -	$ -	$ 67,364	$ 87,973	$ 108,687
Plan Fiduciary Net Position						
Contribution from the Employer	$ -	$ -	$ 21,400	$ 20,321	$ 23,490	$ 22,587
Net investment income	-	-	-	-	-	-
Benefit Payments	-	-	(21,400)	(20,321)	(23,490)	(22,587)
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	$ 108,687
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	N/A	N/A	N/A	0.00%	0.00%	0.00%
Covered - Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A
Net OPEB Liability as Percentage of Covered-Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A

Notes to Schedule:

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

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

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

DESERT HOSPITAL
RETIREMENT PROTECTION PLAN

PALM SPRINGS, CALIFORNIA

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

JUNE 30, 2023

DESERT HOSPITAL RETIREMENT PROTECTION PLAN

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MOSS, LEVY & HARTZHEIM LLP
CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS
CRAIG A HARTZHEIM, CPA
HADLEY Y HUI, CPA
ALEXANDER C HOM, CPA
ADAM V GUISE, CPA
TRAVIS J HOLE, CPA
WILSON LAM, CPA

COMMERCIAL ACCOUNTING & TAX SERVICES
9465 WILSHIRE BLVD., 3RD FLOOR
BEVERLY HILLS, CA 90212
TEL: 310.670.2745
FAX: 310.670.1689
www.mlhcpas.com

GOVERNMENTAL AUDIT SERVICES
5800 HANNUM AVE., SUITE E
CULVER CITY, CA 90230
TEL: 310.670.2745
FAX: 310.670.1689
www.mlhcpas.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Desert Healthcare District
Desert Healthcare Hospital Retirement Protection Plan
Palm Springs, CA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the fiduciary activities of the Desert Healthcare Hospital Retirement Protection Plan (the Plan) as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements.

In our opinion, the accompanying basic financial statements referred to above present fairly, in all material respects, the financial position of the fiduciary activities of the Plan as of June 30, 2023, and the respective changes in financial position for the fiscal 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 (GAAS) 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 the 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 audit opinion.

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 the Plan's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

OFFICES: BEVERLY HILLS · CULVER CITY · SANTA MARIA

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 opinions. 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 to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 the 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.

Change in Accounting Principle

For the fiscal year ending June 30, 2023, the Plan is reporting Required Supplementary Information in accordance with Government Accounting Standards Board Statement No. 67. The change has no effect on the Fiduciary Net Position or Change in Fiduciary Net Position.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedules of Changes in the Net Pension Liability (Asset) and Related Ratios and the Schedule of Plan Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Management has omitted the Management's Discussion and Analysis and the Schedule of the Annual Money-Weighted Rate of Return on Plan Investments that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2023, on our consideration of the Plan'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 the Plan'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 the Plan's internal control over financial reporting and compliance.

Report on Comparative Information

The Plan's basic financial statements as of and for the fiscal year ended June 30, 2022, were audited by other auditors. They expressed a modified opinion on those audited financial statements in their report dated November 21, 2022. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, CA
September 8, 2023

DESERT HOSPTIAL RETIREMENT PROTECTION PLAN
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2023
WITH COMPARATIVE TOTALS FOR JUNE 30, 2022

	2023	2022
ASSETS		
Cash	$ 200,936	$ 212,589
Investments, at fair value		
U.S. Government securities	394,369	342,878
Corporate equity securities	-	561,296
Corporate debt securities	683,184	492,046
Mutual funds	3,209,553	2,989,543
Total investments	4,287,106	4,385,763
Interest and dividends receivable	12,463	6,866
Total Assets	4,500,505	4,605,218
LIABILITIES		
Accrued trustee fees	7,246	7,380
NET POSITION RESTRICTED FOR PENSION		
Net position restricted for pension	$ 4,493,259	$ 4,597,838

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

DESERT HOSPTIAL RETIREMENT PROTECTION PLAN
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	2023	2022
ADDITIONS:		
Contributions	$ -	$ -
Investment income:		
Net appreciation in fair value of Plan assets	32,067	(129,864)
Interest, dividends, and other investment income	129,401	109,120
Net gain(loss) from sale of investments	283,511	(491,776)
Net income (loss)	444,979	(512,520)
DEDUCTIONS:		
Distributions of benefits	520,549	172,220
Administrative expenses	29,009	32,394
Total deductions	549,558	204,614
NET INCREASE (DECREASE) IN NET POSITION	(104,579)	(717,134)
NET POSITION RESTRICTED FOR PENSION:		
BEGINNING OF THE FISCAL YEAR	4,597,838	5,314,972
END OF THE FISCAL YEAR	$ 4,493,259	$ 4,597,838

(The accompanying notes are an intergral 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, 2023, by the Plan's independent actuary determined that the actuarial value of the Plan's net pension asset was $(1,457,140) at June 30, 2023 and $(1,009,246) at June 30, 2022, The actuary recommended to the District an actuarially determined contribution of $0 for the fiscal year ended June 30, 2023 and $0 for the fiscal year ended June 30, 2022.

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 accounting principles generally accepted 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 accounting principles generally accepted 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

	2023		2022	
Investment Type	Cost	Fair Value	Cost	Fair Value
Cash	$ 200,936	$ 200,936	$ 212,589	$ 212,589
Investments				
U.S. Government securities	415,536	394,369	356,163	342,878
Corporate equity securities	-	-	360,053	561,296
Corporate debt securities	707,510	683,184	516,423	492,046
Mutual funds	2,596,498	3,209,553	2,617,647	2,989,543
Investments total	3,719,544	4,287,106	3,850,286	4,385,763
Total cash and investments	$ 3,920,480	$ 4,488,042	$ 4,062,875	$ 4,598,352

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 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.

4. CASH AND INVESTMENTS (Continued)

Disclosures Relating to Interest Rate Risk (Continued)

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, 2023

		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
Equity Based Mutual Funds	$ 2,654,131	$ 2,654,131	$ -	$ -	$ -	$ -
Fixed Income Mutual Funds	503,705	503,705				
Balanced Mutual Funds	51,717	51,717				
Corporate Bonds	683,184	198,521	23,729	47,845	46,446	366,643
U.S. Government Agencies	202,576					202,576
U.S. Treasury Note	191,793	99,074				92,719
Total	$ 4,287,106	$ 3,507,148	$ 23,729	$ 47,845	$ 46,446	$ 661,938

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
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 Agencies	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

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, 2023:

				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	$ 2,654,131	N/A	$ -	$ -	$ -	$ -	$ 2,654,131
Fixed Income Mutual Funds	503,705	N/A	-	-	-	-	503,705
Balanced Mutual Funds	51,717	N/A	-	-	-	-	51,717
Corporate Bonds	683,184	A	-	145,178	99,789	438,217	-
U.S. Government Agencies	202,576	N/A	-	-	-	-	202,576
U.S. Treasury Note	191,793	N/A	191,793	-	-	-	
Total	$ 4,287,106		$ 191,793	$ 145,178	$ 99,789	$ 438,217	$ 3,412,129

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 Agencies	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

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 five investments at June 30, 2023 that represent 5% or more of total Plan investments. These investments are:

5,390 Shares of IShares S&P 500 Growth Etf valued at $379,887.
2,581 Shares of IShares S&P 500 Value Etf valued at $416,031.
5,026 Shares of Vanguard Ftse Developed Etf valued at $232,101.
600 Shares of Vanguard S&P 500 Etf valued at $244,368.
21,011 Shares of Pgim Total Return Bond Cl R6 valued at $301,813.

There are two investments at June 30, 2022 that represent 5% or more of total Plan investments. These investments are:

3,727 Shares of Vanguard Short-term Invt. Grade #539 valued at $375,688.
2,469 Shares of IShares S&P 500 Value Etf. valued at $399,389.

Custodial Credit

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 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, 2023, 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 requirements 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.

Money-weighted rate of return is 9.59% assuming mid-year timing for inflow/outflows.

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 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 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, 2023:

		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	$ 394,369	$ 191,793	$ 202,576	$ -
Corporate Issues	683,184	-	683,184	-
Mutual Funds- Equity	2,654,131	2,401,307	252,824	-
Mutual Funds- Balanced	51,717	-	51,717	-
Mutual Funds- Fixed Income	503,705		503,705	
Total	$ 4,287,106	$ 2,593,100	$ 1,694,006	$ -

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	$ -

5. ACTUARIAL ASSUMPTIONS

The total pension liability as of June 30, 2023, was determined using the following actuarial assumptions:

Inflation	2.75%
Discount rate	6.56%, net of pension plan investment expense, including inflation.
Measurement date	June 30, 2023, based on a valuation date of June 30, 2023.
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-2021 from 2010.
Experience study	Given the size of the plan, there is not enough data available to conduct a credible 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	100% retirement 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.
Other assumptions	See actuarial assumptions provided in the June 30, 2023 funding valuation for other relevant assumptions.

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

The date of the June 30, 2023 actuarial report was August 16, 2023.

6. NET PENSION LIABILITY OF THE PLAN

Schedule of Changes in Net Pension Liability and Related Ratios

Total pension liability:	**2023**	**2022**
Service cost	$ -	$ -
Interest	207,687	229,605
Changes of benefit terms		-
Differences between expected and actual experience	(224,667)	-
Changes of assumptions	(14,943)	23,267
Benefit payments, including refunds of member contributions	(520,550)	(172,220)
Net change in total pension liability	(552,473)	80,652
Total pension liability - beginning	3,588,592	3,507,940
Total pension liability - ending (a)	$ 3,036,119	$ 3,588,592
Plan fiduciary net position		
Contributions - employer	$ -	$ -
Net investment income	444,979	(512,520)
Benefit payments, including refunds of member contributions	(520,549)	(172,220)
Administrative expenses	(29,009)	(32,394)
Net change in plan fiduciary net position	(104,579)	(717,134)
Plan fiduciary net position - beginning	4,597,838	5,314,972
Plan fiduciary net position - ending (b)	4,493,259	4,597,838
Net pension liability (asset) - ending (a) - (b)	$ (1,457,140)	$ (1,009,246)
Plan fiduciary net position as a percentage of the total pension liability	147.99%	128.12%
Covered - employee payroll	N/A	N/A
Net pension liability as percentage of covered - employee payroll	N/A	N/A

6. NET PENSION LIABILITY OF THE PLAN (Continued)

Discount Rate and Net Pension Liability Sensitivity

1. Discount Rate

The discount rate used to measure the total pension liability was 6.56%. 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 the member rate. 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 depleted for current members during the 2037 fiscal year. Therefore, the long-term expected rate of return 6.82% was used to discount funded projected benefit payments and the municipal bond rate 3.15% was used to discount unfunded projected benefit payments to determine the total pension liability. The single effective discount rate was 6.56%.

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

The following presents the net pension asset for 2023 and 2022, calculated using the discount rate of 6.56% (6.24%), as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.56% and 5.24%) or 1-percentage-point higher (7.56% and 7.24%) than the current rate:

For the Fiscal Year Ended June 30, 2023

	1% Decrease (5.56%)	Current Discount Rate (6.56%)	1% Increase (7.56%)
Net pension asset	(1,406,256)	(1,457,140)	(1,502,525)

For the Fiscal Year Ended June 30, 2022

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

6. NET PENSION LIABILITY OF THE PLAN (Continued)

Plan membership

The total pension liability was determined based on the plan membership as of June 30,	2023	2022
Inactive plan members if beneficiaries currently receiving benefits	7	7
Inactive plan members entitled but not yer receiving benefits	58	59
Active plan members	68	88
	133	154

Net Pension Liability

The components of the net pension liability at June 30,	2023	2022
Total pension liability	$ 3,036,119	$ 3,588,592
Plan fiduciary net position	(4,493,259)	(4,597,838)
Net pension asset	$ (1,457,140)	$ (1,009,246)
Plan fiduciary net position as a % of the total pension liability	147.99%	128.12%

Actuarial Assumptions

The total pension liability was determined using the following actuarial assumptions.	2023	2022
Inflation	2.75%	2.75%
Salary increases	NA	NA
Investment rate of return	6.56%	6.24%
Discount rate	6.56%	6.24%

7. SUBSEQUENT EVENTS

Management of the Plan has evaluated all potential subsequent events as of September 8, 2023, the date when the financial statements were available to be issued. No subsequent events or transactions were identified after June 30, 2023, that require disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

DESERT HOSPTIAL RETIREMENT PROTECTION PLAN
Schedule of Changes in the Net Pension Liability and Related Ratios- Last 10 Fiscal Years (Continued)
June 30, 2023

	2023	2022	2021	2020	2019
TOTAL PENSION LIABILITY					
Service Cost	$ -	$ -	$ -	$ -	$ -
Interest	207,687	229,605	342,696	374,170	385,951
Changes of Benefit Terms	-	-	-	-	-
Difference between Expected and Actual Experience	(224,667)	-	(1,123,559)	-	(802,110)
Changes of Assumptions	(14,943)	23,267	(4,503,151)	912,601	769,854
Benefit Payments	(520,550)	(172,220)	(596,263)	(208,084)	(511,792)
Net Change in Total Pension Liability	(552,473)	80,652	(5,880,277)	1,078,687	(158,097)
Total Pension Liability - Beginning	3,588,592	3,507,940	9,388,217	8,309,530	8,467,627
Total Pension Liability - Ending	$ 3,036,119	$ 3,588,592	$ 3,507,940	$ 9,388,217	$ 8,309,530
PLAN FIDUCIARY NET POSITION					
Contributions from the Employer/Member	$ -	$ -	$ -	$ -	$ -
Net Investment Income	444,979	(512,520)	1,127,272	78,140	235,865
Administrative Expenses	(29,009)	(32,394)	-		-
Benefit Payments	(520,549)	(172,220)	(596,263)	(208,084)	(511,792)
Net Change in Plan Fiduciary Net Position	(104,579)	(717,134)	531,009	(129,944)	(275,927)
Plan Fiduciary Net Position - Beginning	4,597,838	5,314,972	4,783,963	4,913,907	5,189,834
Plan Fiduciary Net Position - Ending	$ 4,493,259	$ 4,597,838	$ 5,314,972	$ 4,783,963	$ 4,913,907
Plan Net Pension Liability (Asset) - Ending	$ (1,457,140)	$ (1,009,246)	$ (1,807,032)	$ 4,604,254	$ 3,395,623
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	147.99%	128.12%	151.51%	50.96%	59.14%
Covered Payroll	$ -	$ -	$ -	$ -	$ -
Net Pension Liability (Asset) as a percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A

Notes to Schedule:

Changes in Assumption

In 2017, the post-retirement mortality tables were changed from 2015 annuitant tables to 2017 annuitant tables
In 2019, the interest rate changed to 6.82% per annum componuded from 7.5% pre-retirement and 6.5% post retirement.
In 2019, the post-retirement mortality tables were changed from 2017 IRS Static Mortality table to Scale MP-2018 PubG-2010 sex distinct mortality tables
In 2021, the interest rate changed to 6.71% from 6.82%
In 2021, the interest credit rate changed to 2% per annum from 4% per annum
In 2021, the conversion rate changed to 3% per annum from 5% per annum
In 2021, the form of payment assumption changed to assume 95% of participants take a lump sum payment and 5% take an annuity
In 2021, the retirement assumption was updated to assume the active participants retire at age 65 and terminated vested participants take an immediate lump sum payment
In 2021, the post-retirement mortality tables were changed from Scale MP-2018 PubG-2010 sex distinct mortality tables to Scale MP-2020 PubG-2010 sex distinct mortality tables
In 2023, the interest rate changed to 6.56% from 6.71%
In 2023, the post-retirement mortality tables were changed from Scale MP-2020 PubG-2010 sex distinct mortality tables to Scale MP-2021 PubG-2010 sex distinct mortality tables

DESERT HOSPTIAL RETIREMENT PROTECTION PLAN
Schedule of Changes in the Net Pension Liability and Related Ratios- Last 10 Fiscal Years (Continued)
June 30, 2023

	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY					
Service Cost	$ -	$ -	$ -	$ -	$ -
Interest	399,298	321,990	397,980	418,035	N/A
Changes of Benefit Terms	-	-	-	-	N/A
Difference between Expected and Actual Experience	-	(437,093)	(493,455)	(537,578)	N/A
Changes of Assumptions	315,705	(2,852,163)	1,944,607	-	N/A
Benefit Payments	(466,670)	(382,380)	(459,397)	(304,264)	N/A
Net Change in Total Pension Liability	248,333	(3,349,646)	1,389,735	(423,807)	N/A
Total Pension Liability - Beginning	8,219,294	11,568,940	10,179,205	10,603,012	N/A
Total Pension Liability - Ending	$ 8,467,627	$ 8,219,294	$ 11,568,940	$ 10,179,205	$10,603,012
PLAN FIDUCIARY NET POSITION					
Contributions from the Employer/Member	$ -	$ 3,400,000	$ -	$ -	$ -
Net Investment Income	347,969	426,828	(6,638)	70,805	N/A
Administrative Expenses	(35,638)	(24,513)	(14,983)	(17,892)	N/A
Benefit Payments	(466,670)	(382,380)	(459,397)	(304,264)	N/A
Net Change in Plan Fiduciary Net Position	(154,339)	3,419,935	(481,018)	(251,351)	N/A
Plan Fiduciary Net Position - Beginning	5,344,173	1,924,238	2,405,256	2,656,607	N/A
Plan Fiduciary Net Position - Ending	$ 5,189,834	$ 5,344,173	$ 1,924,238	$ 2,405,256	$ 2,656,607
Plan Net Pension Liability (Asset) - Ending	$ 3,277,793	$ 2,875,121	$ 9,644,702	$ 7,773,949	$ 7,946,405
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	61.29%	65.02%	16.63%	23.63%	25.06%
Covered Payroll	$ -	$ -	$ -	$ -	$ -
Net Pension Liability (Asset) as a percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A

Notes to Schedule:

Changes in Assumption

In 2017, the post-retirement mortality tables were changed from 2015 annuitant tables to 2017 annuitant tables
In 2019, the interest rate changed to 6.82% per annum componuded from 7.5% pre-retirement and 6.5% post retirement.
In 2019, the post-retirement mortality tables were changed from 2017 IRS Static Mortality table to Scale MP-2018 PubG-2010 sex distinct mortality tables
In 2021, the interest rate changed to 6.71% from 6.82%
In 2021, the interest credit rate changed to 2% per annum from 4% per annum
In 2021, the conversion rate changed to 3% per annum from 5% per annum
In 2021, the form of payment assumption changed to assume 95% of participants take a lump sum payment and 5% take an annuity
In 2021, the retirement assumption was updated to assume the active participants retire at age 65 and terminated vested participants take an immediate lump sum payment
In 2021, the post-retirement mortality tables were changed from Scale MP-2018 PubG-2010 sex distinct mortality tables to Scale MP-2020 PubG-2010 sex distinct mortality tables
In 2023, the interest rate changed to 6.56% from 6.71%
In 2023, the post-retirement mortality tables were changed from Scale MP-2020 PubG-2010 sex distinct mortality tables to Scale MP-2021 PubG-2010 sex distinct mortality tables

DESERT HOSPTIAL RETIREMENT PROTECTION PLAN
Schedule of Contributions- Last 10 Fiscal Years
As of June 30, 2023

	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019
Actuarially Determined Contribution	$ -	$ -	$ 366,275	$ 366,275	$ 288,378
Contributions in Relation to the Actuarially Determined Contribution	-	-	-	-	-
Contribution Deficiency (Excess)	$ -	$ -	$ 366,275	$ 366,275	$ 288,378
Covered Payroll	$ -	$ -	$ -	$ -	$ -
Contributions as a Percentage of Covered Payroll					

	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Actuarially Determined Contribution	$ 288,378	$ 928,460	$ 928,460	$ 1,631,186	$ 1,631,186
Contributions in Relation to the Actuarially Determined Contribution	-	3,400,000	-	-	-
Contribution Deficiency (Excess)	$ 288,378	$ (2,471,540)	$ 928,460	$ 1,631,186	$ 1,631,186
Covered Payroll	$ -	$ -	$ -	$ -	$ -
Contributions as a Percentage of Covered Payroll					

Notes to the Schedule

Changes in Assumptions

In 2017, the post-retirement mortality tables were changed from 2015 annuitant tables to 2017 annuitant tables
In 2019, the interest rate changed to 6.82% per annum componuded from 7.5% pre-retirement and 6.5% post retirement.
In 2019, the post-retirement mortality tables were changed from 2017 IRS Static Mortality table to Scale MP-2018 PubG-2010 sex distinct mortality tables
In 2021, the interest rate changed to 6.71% from 6.82%
In 2021, the interest credit rate changed to 2% per annum from 4% per annum
In 2021, the conversion rate changed to 3% per annum from 5% per annum
In 2021, the form of payment assumption changed to assume 95% of participants take a lump sum payment and 5% take an annuity
In 2021, the retirement assumption was updated to assume the active participants retire at age 65 and terminated vested participants take an immediate lump sum payment
In 2021, the post-retirement mortality tables were changed from Scale MP-2018 PubG-2010 sex distinct mortality tables to Scale MP-2020 PubG-2010 sex distinct mortality tables
In 2023, the interest rate changed to 6.56% from 6.71%
In 2023, the post-retirement mortality tables were changed from Scale MP-2020 PubG-2010 sex distinct mortality tables to Scale MP-2021 PubG-2010 sex distinct mortality tables

DESERT HEALTHCARE FOUNDATION

PALM SPRINGS, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

JUNE 30, 2023

DESERT HEALTHCARE FOUNDATION

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MOSS, LEVY & HARTZHEIM LLP
CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS
CRAIG A HARTZHEIM, CPA
HADLEY Y HUI, CPA
ALEXANDER C HOM, CPA
ADAM V GUISE, CPA
TRAVIS J HOLE, CPA
WILSON LAM, CPA

COMMERCIAL ACCOUNTING & TAX SERVICES
9465 WILSHIRE BLVD., 3RD FLOOR
BEVERLY HILLS, CA 90212
TEL: 310.670.2745
FAX: 310.670.1689
www.mlhcpas.com

GOVERNMENTAL AUDIT SERVICES
5800 HANNUM AVE., SUITE E
CULVER CITY, CA 90230
TEL: 310.670.2745
FAX: 310.670.1689
www.mlhcpas.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Management

Desert Healthcare Foundation
1140 North Indian Canyon Drive
Palm Springs, CA 92262

Opinion

We have audited the accompanying financial statements of Desert Healthcare Foundation (the Foundation) (a California nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the fiscal year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2023, and the changes in net assets and its cash flows for the fiscal 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 the 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 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 the 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 the 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 the 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated September 8, 2023, on our consideration of the Foundation’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing 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 the Foundation’s internal control over financial reporting and compliance.

Report on Summarized Comparative Information

The previous auditors have audited Foundation’s financial statements as of and for the fiscal year ended June 30, 2022, and expressed an unmodified audit opinion on those audited financial statements in their report dated November 21, 2022. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Moss, Levy & Hartzheim, LLP
Culver City, CA
September 8, 2023

DESERT HEALTHCARE FOUNDATION

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023

WITH COMPARATIVE TOTALS AS OF JUNE 30, 2022

	Totals 2023	Totals 2022
ASSETS		
Cash and cash equivalents	$ 479,488	$ 516,636
Grants receivable	183,530	2,217,209
Prepaid expenses	6,747	3,000
Accrued interest and dividend receivable	14,345	-
Total current assets	684,110	2,736,845
OTHER ASSETS		
Contributions receivable - charitable remainder trusts	196,140	188,389
Investments	4,429,454	4,181,156
Total other assets	4,625,594	4,369,545
TOTAL ASSETS	$ 5,309,704	$ 7,106,390
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current liabilities:		
Accounts payable and accrued payroll	$ 21,965	$ 12,973
Grants payable - current	1,741,281	795,028
Total current liabilities	1,763,246	808,001
Long-term liabilities:		
Grants payable - long-term	-	200,000
Total long-term liabilities	-	200,000
Total liabilities	1,763,246	1,008,001
NET ASSETS		
Without donor restrictions	452,164	399,057
Without donor restrictions- Board designated	1,544,156	1,544,156
With donor restrictions	1,550,138	4,155,176
Total net assets	3,546,458	6,098,389
TOTAL LIABILITIES AND NET ASSETS	$ 5,309,704	$ 7,106,390

The accompanying notes are an integral part of these financial statements

DESERT HEALTHCARE FOUNDATION

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Totals 2023	Totals 2022
REVENUES AND GAINS				
Contributions	$ 219,714	$ -	$ 219,714	$ 40,275
Grants	935,828	-	935,828	2,168,605
Bequests	57,520	-	57,520	57,080
Interest and dividends	114,841	-	114,841	138,889
Investment gains (losses)	190,543	-	190,543	(498,074)
Change in value - charitable trusts	-	7,751	7,751	(12,420)
Assets released from restrictions	2,612,788	(2,612,788)	-	-
Total revenues and gains	4,131,234	(2,605,037)	1,526,197	1,894,355
EXPENSES				
Program services	3,379,746	-	3,379,746	1,317,894
Management and general	698,382	-	698,382	565,599
Total expenses	4,078,128	-	4,078,128	1,883,493
INCREASE (DECREASE) IN NET ASSETS	53,106	(2,605,037)	(2,551,931)	10,862
NET ASSETS, BEGINNING OF FISCAL YEAR	1,943,213	4,155,176	6,098,389	6,142,988
PRIOR YEAR RESTATEMENT	-	-	-	(55,461)
NET ASSETS, BEGINNING OF FISCAL YEAR, RESTATED	1,943,213	4,155,176	6,098,389	6,087,527
NET ASSETS, END OF FISCAL YEAR	$ 1,996,319	$ 1,550,139	$ 3,546,458	$ 6,098,389

The accompanying notes are an integral part of these financial statements

DESERT HEALTHCARE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Program Services	Management and General	Totals 2023	Totals 2022
Grants and social services	$ 3,379,746	$ -	$ 3,379,746	$ 1,317,894
Management and general expenses	-	698,382	698,382	565,599
TOTAL FUNCTIONAL EXPENSES	$ 3,379,746	$ 698,382	$ 4,078,128	$ 1,883,493

The accompanying notes are an integral part of these financial statements

DESERT HEALTHCARE FOUNDATION

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	$ (2,551,931)	$ 10,862
Adjustments to reconcile increase (decrease) in net position to net cash provided (used) by operating activities:		
(Gains) losses on investments	(190,543)	498,074
Increase (decrease) in operating assets:		
Grants receivable	2,033,679	(1,094,709)
Prepaid expenses	(3,747)	(500)
Contributions receivable	(7,751)	12,420
Accrued interest and dividends	(14,345)	17,221
Increase (decrease) in operating liabilities:		
Accounts payable	8,992	(131,981)
Grants payable	746,253	(1,026,562)
Net cash provided (used) by operating activities	20,607	(1,715,175)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment purchases	(1,001,327)	(1,455,823)
Proceeds from the sale of investments	943,572	2,339,011
Net cash provided (used) by investing activities	(57,755)	883,188
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(37,148)	(831,987)
CASH AND CASH EQUIVALENTS, BEGINNING OF FISCAL YEAR	516,636	1,348,623
CASH AND CASH EQUIVALENTS, END OF FISCAL YEAR	$ 479,488	$ 516,636

The accompanying notes are an integral part of these financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization
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 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. The financial statements are presented in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-205, Not-for-Profit Entities, Presentation of Financial Statements. During 2018, the Foundation adopted the provisions of Accounting Standards Update ("ASU") 2016-14: Not-for-Profit-Entities (Topic 958) Presentation of Financial Statements for Not-for-Profit Entities. In addition, the Foundation is required to present a statement of cash flows and a statement of functional expenses. 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 are 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 $1,544,156 as of June 30, 2023 and 2022, 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 $1,550,139 and $4,155,176 at June 30, 2023 and 2022, respectively.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Facilities and Services

The District has provided to the Foundation the use of its office facilities at no charge. The value of the on-site facilities is not reflected in these statements, as they do not meet the criteria for recognition. For the fiscal year ended June 30, 2023 the District allocated to the Foundation $825,502 related to personnel charges. See Note 8 for more details.

Contributions

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets 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 assets with donor restrictions are reclassified to net assets 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 assets 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 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prior Year Summarized Comparative Information

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 accounting principles generally accepted in the United States of America. 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.

Leases

The Foundation has adopted FASB ASC Topic 842. *Leases*, with a date of initial application of July 1, 2022. For leases with a lease term greater than one year, the Foundation recognizes a lease asset for its right to use the underlying leased asset and a lease liability for the corresponding lease obligation. The Foundation determines whether an arrangement is or contains a lease at contract inception. Operating leases with a duration greater than one year are included in operating lease right-to-use assets, current portion operating lease liabilities, and operating lease liabilities, net of current portion in the Foundation's balance sheet at June 30, 2023. Operating lease right-to-use assets and operating lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. In determining the present value of lease payments, the Foundation uses a risk-free rate of a period comparable with that of the lease term. The Foundation considers the lease term to be the noncancelable period that it has the right to use the underlying asset, including all periods covered by an option to (1) extend the lease if the Foundation is reasonably certain to exercise the option, (2) terminate the lease if the Foundation is reasonably certain not to exercise that option, and (3) extend, or not to terminate, the lease in which exercise of the option is controlled by the lessor. The Foundation had no leases as described in FASB ASC 842 as of June 30, 2023.

New Accounting Pronouncement

Effective July 1, 2022, the Foundation adopted the provisions of FASB ASU 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.* The amendments in this Update apply to nonprofit organizations that receive contributed nonfinancial assets (also referred to as gifts-in-kind) and address presentation and disclosure of those contributed nonfinancial assets. The term "nonfinancial assets" include fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials, supplies, intangible assets, cryptocurrency, services, and unconditional promises of those assets. Under ASU 2020-07, organizations must present gifts-in-kind as a separate line item in the statement of activities, apart from gifts of cash and other financial assets. In addition to this presentation requirement, the gifts-in-kind must be further broken down into categories (fixed assets, supplies, contributed services, etc.) in the notes to the financial statements. For each category of contributed nonfinancial asset recognized in the financial statements, further footnote disclosures are required under the ASU, including whether the gifts-in-kind were sold or used, among other disclosures. The provisions of ASU 2020-07 must be applied on a retrospective basis (meaning that all periods presented in comparative financial statements must reflect the requirements of the new standard). Adoption of this standard had no effect on the Foundation for the fiscal year ended June 30, 2023.

2. LIQUIDITY AND AVAILABLILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2023.

	2023	2022
Financial assets:		
Cash and investments	$ 479,488	$ 516,636
Investments	4,429,454	4,181,156
Grants receivable	183,530	2,217,209
Accrued interest and dividend receivable	14,345	-
Contributions receivable - CRT	196,140	188,389
Total financial assets	5,302,957	7,103,390
Less financial assets held to meet donor-imposed restrictions:		
Donor-restricted funds (Note 7)	(1,550,138)	(4,155,176)
Board-designated funds (Note 1)	(1,544,156)	(1,544,156)
Interest in charitable remainder trust (Note 5)	(196,140)	(188,389)
Amount available for general expenditures within one year	$ 2,012,523	$ 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 3).

3. CASH AND INVESTMENTS

Demand Deposits

The carrying amounts, at June 30, 2023, of the Foundation's cash on hand was $207, cash deposits was $360,890, and money market funds were $118,391. Bank balances were $476,360 at June 30, 2023. Occasionally, the Foundation's cash balance in banks exceeds the Federal Deposit Insurance Corporation's insurance limits.

Investments

At June 30, 2023, investments consisted of the following:

	Cost	Fair Value	Unrealized Gain (Loss)
Corporate bonds	$ 1,259,479	$ 1,152,794	$ (106,685)
U.S. Treasury notes	765,870	654,290	(111,580)
Marketable securities	2,031,124	2,622,370	591,246
Total Investments	$ 4,056,473	$ 4,429,454	$ 372,981

3. CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)
At June 30, 2022, investments consisted of the following:

	Cost	Fair Value	Unrealized Gain (Loss)
Corporate bonds	$ 1,353,521	$ 1,264,440	$ (89,081)
U.S. Treasury notes	639,060	563,611	(75,449)
Marketable securities	1,879,958	2,353,105	473,147
Total Investments	$ 3,872,539	$ 4,181,156	$ 308,617

4. FAIR VALUE MEASUREMENTS

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

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

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

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

At June 30, 2023, all investments are measured at fair value on a recurring basis and were valued at Level 1 inputs (quoted prices in active markets for identical assets). Fair value for investments at June 30, 2023 was $4,429,454. (See Note 3)

5. CHARITABLE REMAINDER 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 value. The balances at June 30, 2023 and 2022 amounted to $196,140 and $188,389, respectively, and the general terms of the two trusts are as follows:

5. CHARITABLE REMAINDER TRUSTS (CONTINUED)

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, 2023, 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, 2023 was $70,118.

6. GRANTS PAYABLE

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

	2023	2022
Grants		
Improving Healthcare Access in Black Communities	$ 423,971	$ 610,000
Avery Trust - Pulmonary	47,000	189,337
West Valley Homelessness Initiative	-	22,500
Behavioral Health Initiative Collective Fund	1,137,201	-
	1,608,172	821,837
COVID-19 Related Grants		
Lideres Campesinas	-	35,000
El Sol Neighborhood Education Center	23,493	40,305
Todec Legal Center	11,752	48,688
Alianza Coachella Valley	11,275	6,901
Vision Y Compromiso	54,630	-
Youth Leadership Institute	6,808	5,153
Galilee Center	23,008	37,144
	130,966	173,191
Other Pass-Through Grants		
ABC Recovery	2,143	-
	2,143	-
Total Grants Payable	$ 1,741,281	$ 995,028
Grants payable- current	1,741,281	795,028
Grants payable- long-term	-	200,000
	$ 1,741,281	$ 995,028

7. NET ASSETS – WITH DONOR RESTRICTIONS

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

	2023	2022
Subject to expenditure for specified purpose:		
Behavioral Health Initiative Collective Fund	$ 795,702	$ 3,297,169
Avery Trust- Pulmonary Services	485,243	530,944
West Valley Homelessness Initiative	71,557	71,557
Health Portal	1,496	67,117
Charitable Remainder Trust	126,022	126,022
	1,480,020	4,092,809
Subject to the passage of time:		
Charitable Remainder Trust	70,118	62,367
	70,118	62,367
Net Assets - with donor restrictions	$ 1,550,138	$ 4,155,176

8. 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. During the fiscal year ended June 30, 2023, the District provided the Foundation with personnel services in the amount of $650,785, of which $461,070 is included in management and general expenses and $189,715 is included in grants and social services expenses.

In 2020, the Desert Healthcare Foundation created the Coachella Valley Equity Collaborative (CVEC), a group of community-based organizations (CBOs). The Foundation is the recipient of external grant funds directly related to COVID-19 testing, vaccinations, and community education. The Foundation awards grants to the CBOs, directly and indirectly through other grantees. The Foundation CEO's wife, is the associate director of one of the CBO's, Vision y Compromiso. At June 30. 2023 and 2022, total grants awarded to Vision y Compromiso were $572,000 and $0, respectively. Total grant funds expended to Vision y Compromiso for the year ended June 30, 2023 and 2022 amounted to $54,630 and $130,000, respectively.

9. SUBSEQUENT EVENTS

The Foundation evaluated all potential subsequent events as of September 8, 2023 when the financial statements were authorized and available to be issued. No subsequent events or transactions were identified after June 30, 2023 or as of September 8, 2023 that require disclosure to the financial statements.

DESERT HEALTHCARE
DISTRICT & FOUNDATION

Date: October 11, 2023

To: Finance & Administration Committee

Subject: Lease Agreement – DPMG Health, Suite 1E-204

Staff Recommendation: Consideration to approve the draft lease agreement for DPMG Health. at the Las Palmas Medical Plaza.

Background:

- DPMG Health is a prospective new tenant at the medical plaza.
- DPMG operates the first mobile medical unit for the District.
- The District recently purchased a second mobile medical unit for purposes of prescription disbursement, telehealth, and other mobile medical related services.
- DPMG has applied for a 2-year, $1,057,396 grant, which has been presented to the Program Committee on October 10, 2023 for consideration. The request includes the purchase of a pickup to pull the trailer and for a clinic.
- The program to operate the second unit requires a physical location for the pharmacy. Plus the clinic will be used for tele-psychology to the mobile unit, as well as in office patient visits.
- The lease term is (2) years at $1.75 sq/ft.
- No annual increase.
- Tenant Improvement allowance is $15/sf - $13,200.
- Staff recommends approval of the lease agreement.
- Draft lease agreement is attached for review.

Fiscal Impact:

Estimated Revenue from Rent and CAMs for life of the base lease - $53,856.

Estimated Cost of Tenant Improvement Allowance ($15.00/sf) – $13,200

Net Lease Income (base lease) - $40,656.

OFFICE BUILDING LEASE

Between

DESERT HEALTHCARE DISTRICT,

DOING BUSINESS AS LAS PALMAS MEDICAL PLAZA

AS LANDLORD

And

<u>DPMG HEALTH</u>

AS TENANT

DATED

NOVEMBER 1,2023

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OFFICE BUILDING LEASE

This Lease between Desert Healthcare District, doing business as Las Palmas Medical Plaza hereinafter referred to as "Landlord", and DPMG Health, a 501(c)(3), hereinafter referred to as "Tenant", and is dated November 1, 2023.

1. LEASE OF PREMISES.

In consideration of the Rent (as defined at Section 5.4) and the provisions of this Lease, Landlord leases to Tenant and Tenant leases from Landlord the Premises described in Section 2L. The Premises are located within the Building and Project described in Section 2m. Tenant shall have the non-exclusive right (unless otherwise provided herein) in common with Landlord, other tenants, subtenants, and invitees, to use of the Common Areas (as defined at Section 2e).

2. DEFINITIONS.

As used in this Lease, the following terms shall have the following meanings:

a. *Base Rent (Initial)*: **$Eighteen Thousand, Four Hundred Eighty & 00/100 ($18,480.00)** per year.

b. *Base Year:* The calendar year of **November 1 to October 31**.

c. *Broker(s):*

Landlord's: **N/A**.

Tenant's: N/A.

In the event that N/A. represents both Landlord and Tenant, Landlord and Tenant hereby confirm that they were timely advised of the dual representation and that they consent to the same, and that they do not expect said broker to disclose to either of them the confidential information of the other party.

d. *Commencement Date*: **November 1, 2023**.

e. *Common Areas*: The building lobbies, common corridors and hallways, restrooms, parking areas, stairways, elevators and other generally understood public or common areas. Landlord shall have the right to regulate or restrict the use of the Common Areas.

f. *Expiration Date*: **October 31, 2025**, unless otherwise sooner terminated in accordance with the provisions of this Lease.

g. *Landlord's Mailing Address*: **1140 N. Indian Canyon Dr., Palm Springs, CA 92262**.

Tenant's Mailing Address: **555 E. Tachevah Dr. 1E-204, Palm Springs, CA 92262**.

h. *Monthly Installments of Base Rent (initial):* **$One Thousand, Five Hundred Forty & 00/100 ($1,540.00)** per month.

i. *Project Operating Costs (CAMS):* Currently **Eighty Cents ($0.80)** per square foot per month.

j. *Tenant Improvement Allowance (TI):* **Fifteen Dollars ($15.00) per square foot or Thirteen Thousand, Two Hundred & 00/100 ($13,200.00)**.

k. *Parking*: Tenant shall be permitted, to park 5 cars on a non-exclusive basis in the area(s) designated by Landlord for parking (for Staff - generally in the back of the parking area, perimeter streets, and Wellness Park parking lot). Tenant shall abide by any and all parking regulations and rules established from time to time by Landlord or Landlord's parking operator.

l. *Premises*: That portion of the Building containing approximately 880 square feet of Rentable Area, located in Building 1E and known as Suite **204**.

m. *Project*: The building of which the Premises are a part (the "Building") and any other buildings or improvements on the real property (the "Property") located at **555 E. Tachevah Drive, Palm Springs, California 92262**. The Project is known as **The Las Palmas Medical Plaza.**

n. *Rentable Area*: As to both the Premises and the Project, the respective measurements of floor area as may from time to time be subject to lease by Tenant and all tenants of the Project, respectively, as determined by Landlord and applied on a consistent basis throughout the Project.

o. *Security Deposit (Section 7):* No security deposit will be required.

p. *State:* The State of California.

q. *Tenant's First Adjustment Date (Section 5)*: The first day of the calendar month following the Commencement Date plus 12 months.

r. *Tenant's Proportionate Share*: 1.78%. Such share is a fraction, the numerator of which is the Rentable Area of the Premises and the denominator of which is the Rentable Area of the Project, as determined by Landlord from time to time. The Project consists of **six** building(s) containing a total Rentable Area of **49,356 square** feet.

s. *Tenant's Use Clause (*Article 8): Medically related office use consistent with and use the City may allow under the City of Palm Springs zoning, subject to Landlord's reasonable approval.

t. *Term*: The period commencing on the Commencement Date and expiring at midnight on the Expiration Date.

3. EXHIBITS AND ADDENDA.

The exhibits and addenda listed below (unless lined out) are incorporated by reference in this Lease:

a. Exhibit "A" Rules and Regulations.
b. Addenda*

***See Addendum attached hereto and by this reference made a part hereof.**

4. DELIVERY OF POSSESSION.

If for any reason Landlord does not deliver possession of the Premises to Tenant on the Commencement Date, Landlord shall not be subject to any liability for such failure, the Expiration Date shall not change and the validity of this Lease shall not be impaired, but Rent shall be abated until delivery of possession, "Delivery of possession" shall be deemed to occur on the date Landlord completes Landlord's Work as defined in Addendum. If Landlord permits Tenant to enter into possession of the Premises before the Commencement Date, such possession shall be subject to the provisions of this Lease, including, without limitation, the payment of Rent.

5. RENT.

5.1 *Payment of Base Rent:* Tenant agrees to pay the base rent for the premises. Monthly installments of Base Rent shall be payable in advance on the first day of each calendar month of the term. If the term begins (or ends) on other than the first (or last) day of a calendar month, the Base Rent for the partial month shall be prorated on a per diem basis. Tenant shall pay Landlord the first Monthly Installment of Base Rent when Tenant executes the Lease.

5.2 *Adjusted Base Rent*:

a. The Base Rent (and the corresponding monthly installments of Base Rent) set forth at Section 2a shall be adjusted annually (the "Adjustment Date"), commencing on Tenant's First Adjustment Date.

5.3 *Project Operating Costs (CAMs):*

a. In order that the Rent payable during the Term reflect Project Operating Costs, Tenant agrees to pay to Landlord as Rent, Tenant's Proportionate Share of all costs, expenses and obligations attributable to the Project and its operation as set forth in 2i, all as provided below.

b. If, during any calendar year during the Term, Project Operating Costs exceed the Project Operating Costs for the Base Year, Tenant shall pay to Landlord, in addition to the Base Rent and all other payments due under this lease, an amount equal to Tenant's Proportionate Share of such excess Project Operating Costs in accordance with the provisions of this Section 5.3b.

(1.) The term "Project Operating Costs" shall include all those items described in the following subparagraphs (a) and (b).

(a.) All taxes, assessments, water and sewer charges and other similar governmental charges levied on or attributable to the Building or Project or their operation, including without limitation, (i) real property taxes or assessments levied or assessed against the Building or Project, (ii) assessments or charges levied or assessed against the Building or Project by any redevelopment agency, (iii) any tax measured by gross rentals received from the leasing of the Premises, Building or Project, excluding any net income, franchise, capital stock, estate or inheritance taxes imposed by the State or federal government or their agencies, branches or departments; provided that if at any time during the Term any governmental entity levies, assesses or imposes on Landlord any (1) general or special, ad valorem or specific, excise, capital levy or other tax, assessment, levy or charge directly on the Rent received under this lease or on the rent received under any other leases of space in the Building or Project, or (2) and license fee, excise or franchise tax, assessment, levy or charge measured by or based, in whole or in part, upon such rent, or (3) any transfer, transactions, or similar tax, assessment, levy or charge based directly or indirectly upon the transaction represented by this Lease or such other leases, or (4) any occupancy, use, per capita or other tax, assessment, levy or charge based directly or indirectly upon the use or occupancy of the Premises or other premises within the Building or Project, then any such taxes, assessments, levies and charges shall be deemed to be included in the term Project Operation Costs. If at any time during the Term the assessed valuation of, or taxes on, the Project are not based on a completed Project having at least eighty-five percent (85%) of the Rentable Area occupied, then the "taxes" component of Project Operating Costs shall be adjusted by Landlord to reasonably Approximate the taxes, which would have been payable if the Project were completed and at least eighty-five percent (85%) occupied.

(b.) Operating costs incurred by Landlord in maintaining and operating the Building and Project, including without limitation the following: costs of (1) utilities; (2) supplies; (3) insurance (including public liability, property damage, earthquake, and fire and extended coverage insurance for the full replacement cost of the Building and Project as required by Landlord or its lenders for the Project; (4) services of independent contractors; (5) compensation (including employment taxes and fringe benefits) of all persons who perform duties connected with the operation, maintenance, repair or overhaul of the Building or Project, and equipment, improvements and facilities located within the Project, including without limitation engineers, janitors, painters, floor waxers, window washers, security and parking personnel and gardeners (but excluding persons performing services not uniformly available to or performed for substantially all Building or Project tenant); (6) operation and maintenance of a room for delivery and distribution of mail to tenants of the Building or Project as required by the U.S. Postal Service (including, without limitation, an amount equal to the fair market rental value of the mail room premises); (7) management of the Building or Project, whether managed by Landlord or an independent contractor (including, without limitation, an amount equal to the fair market value of any on-site manager's office); (8) rental expenses for (or a reasonable depreciation allowance on) personal property used in the maintenance, operation or repair of the Building or Project; (9) costs, expenditures or charges (whether capitalized or not) required by any governmental or quasi-governmental authority; (10) amortization of capital expenses (including financing costs) (i) required by a governmental entity for energy conservation or life safety purposes, or (ii) made by landlord to reduce Project Operating Costs; and (11) any other costs or expenses incurred by Landlord under this Lease and not otherwise reimbursed by tenants of the Project. If at any time during the Term, less than eighty-five percent (85%) of the Rentable Area of the Project is occupied, the "operating costs" component of Project Operating Costs shall be adjusted by Landlord to reasonably approximate the operating costs which would have been incurred if the Project had been at least eighty-five percent (85%) occupied.

(2.) Tenant's Proportionate Share of Project Operating Costs shall be payable by Tenant to Landlord as follows:

(a.) Beginning with the calendar year following the Base Year and for each calendar year thereafter ("comparison Year"), Tenant shall pay Landlord an amount equal to Tenant's Proportionate Share of the Project Operating Costs incurred by Landlord in the Comparison Year which exceeds the total amount of Project Operating Costs payable by Landlord for the Base Year. This excess is referred to as the "Excess Expenses."

(b.) To provide for current payments of Excess Expenses, Tenant shall, at Landlord's request, pay as additional rent during each Comparison Year, an amount equal to Tenant's Proportionate Share of the Excess Expenses payable during such Comparison Year, as estimated by Landlord from time to time. Such payments shall be made in monthly installments, commencing on the first day of the month following the month in which Landlord notifies Tenant of the amount it is to pay hereunder and continuing until the first day of the month following the month in which Landlord gives Tenant a new notice of estimated Excess Expenses. It is the intention hereunder to estimate from time to time the amount of the Excess Expense for each Comparison Year and Tenant's Proportionate Share thereof, and then to make an adjustment in the following year based on the actual Excess Expenses incurred for that Comparison Year.

(c.) On or before April 1 of each Comparison Year after the first Comparison Year (or as soon thereafter as is practical), Landlord shall deliver to Tenant a statement setting forth Tenant's Proportionate Share of the Excess Expenses for the preceding Comparison Year. If Tenant's Proportionate Share of the actual Excess Expenses for the previous Comparison Year exceeds the total of the estimated monthly payments made by Tenant for such year, Tenant shall pay Landlord the amount of the deficiency within ten (10) days of the receipt of the statement. If such total exceeds Tenant's Proportionate Share of the actual Excess Expenses for such Comparison Year, then Landlord shall credit against Tenant's next ensuing monthly installment(s) of additional rent an amount equal to the difference until the credit is exhausted. If the credit is due from Landlord on the Expiration Date, Landlord shall pay Tenant the amount of the credit. The obligations of Tenant and Landlord to make payments required under this Section 5.3 shall survive the Expiration Date.

(d.) Tenant's Proportionate Share of Excess Expenses in any Comparison Year having less than 365 days shall be appropriately prorated.

(e.) If any dispute arises as to the amount of any additional rent due hereunder, Tenant shall have the right after reasonable notice and at reasonable times to inspect Landlord's accounting records at Landlord's accounting office and, if after such inspection Tenant still disputes the amount of additional rent owed, a certification as to the proper amount shall be made by Landlord's certified public accountant, which certification shall be final and conclusive. Tenant agrees to pay the cost of such certification unless it is determined that Landlord's original statement overstated Project Operating Costs by more than five percent (5%).

(f.) If this Lease sets forth an Expense Stop at Section 2f, then during the Term, Tenant shall be liable for Tenant's Proportionate Share of any actual Project Operating Costs which exceed the amount of the Expense Stop. Tenant shall make current payments of such excess costs during the Term in the same manner as is provided for payment of Excess Expenses under the applicable provisions of Section 5.3(2)(b) and (c) above.

5.4 *Definition of Rent*: The Rent shall be paid to the Building manager (or other person) and at such place, as Landlord may from time to time designate in writing, without any prior demand therefore and without deduction or offset, in lawful money of the United States of America.

5.5 *Rent Control*: If the amount of Rent or any other payment due under this Lease violates the terms of any governmental restrictions on such Rent or payment, then the Rent or payment due during the period of such restrictions shall be the maximum amount allowable under those restrictions. Upon termination of the restrictions, Landlord shall, to the extent it is legally permitted, recover from Tenant the difference between the amounts received during the period of the restrictions and the amounts Landlord would have received had there been no restrictions.

5.6 *Taxes Payable by Tenant*: In addition to the Rent and any other charges to be paid by Tenant hereunder, Tenant shall reimburse Landlord upon demand for any and all taxes payable by Landlord (other than net income taxes) which are not otherwise reimbursable under this Lease, whether or not now customary or within the contemplation of the parties, where such taxes are upon, measured by or reasonably attributable to (a) the cost or value of Tenant's equipment, furniture, fixtures and other personal property located in the Premises, or the cost or value of any leasehold improvements made in or to the Premises by or for Tenant, other than Building Standard Work made by Landlord, regardless of whether title to such improvements is held by Tenant or Landlord; (b) the gross or net Rent payable under this Lease, including, without limitation, any rental or gross receipts tax levied by any taxing authority with respect to the receipt of the Rent hereunder; (c) the possession, leasing , operation, management, maintenance, alteration, repair, use or occupancy by Tenant of the Premises or any portion thereof; or (d) this transaction or any document to which Tenant is a party creating or transferring an interest or an estate in the Premises. If it becomes unlawful for Tenant to reimburse Landlord for any costs as required under this Lease, the Base Rent shall be revised to net Landlord the same net Rent after imposition of any tax or other charge upon Landlord as would have been payable to Landlord but for the reimbursement being unlawful.

5.7 *Tenant Improvement Allowance*: In recognition for Tenant completing all improvements to the premises as mutually agreed by Landlord and Tenant, Landlord shall provide Tenant with a total Tenant improvement allowance not to exceed that set forth in Section 2j upon completion of agreed Tenant improvements. This allowance will be reimbursed to tenant upon satisfactory receipt of paid invoices and inspection by Property Management that work has been satisfactorily completed. Any additional tenant improvements will be at the sole expense of the Tenant. Improvements shall conform to a high quality of design approved by Landlord prior to commencement of work and shall be performed by a licensed General Contractor approved by Landlord in advance. Tenant shall submit plans and specifications for any and all improvements to Landlord, and where necessary, the City of Palm Springs and other applicable government agencies for their required approval (if any) prior to commencement of work. Tenant and the General Contractor shall indemnify and hold Landlord and its officers, agents and employees harmless from any liability resulting from the tenant improvement work and shall be named as an additional insured on the insurance policy of both the Tenant and the General Contractor. All costs shall be subject to prevailing wages and if construction costs exceed $25,000, then the tenant improvements shall also be subject to California competitive bid statutes.

6. INTEREST AND LATE CHARGES.

If Tenant fails to pay when due any Rent or other amounts or charges which Tenant is obligated to pay under the terms of this Lease, the unpaid amounts shall bear interest at the maximum rate then allowed by law. Tenant acknowledges that the late payment of any Monthly Installment of Base Rent will cause Landlord to lose the use of that money and incur costs and expenses not contemplated under this Lease, including without limitation, administrative and collection costs and processing and accounting expenses, the exact amount of which is extremely difficult to ascertain. Therefore, in addition to interest, if any such installment is not received by Landlord within five (5) days from the date it is due, Tenant shall pay Landlord a late charge equal to ten percent (10%) of such installment. Landlord and Tenant agree that this late charge represents a reasonable estimate of such costs and expenses and is fair compensation to Landlord for the loss suffered from such nonpayment by Tenant. Acceptance of any interest or late charge shall not constitute a waiver of Tenant's default with respect to such nonpayment by Tenant nor prevent Landlord from exercising any other rights or remedies available to Landlord under this Lease.

7. SECURITY DEPOSIT.

Tenant agrees to deposit with Landlord the Security Deposit set forth at Section 2.0 upon execution of this Lease, as security for Tenant's faithful performance of its obligations under this Lease. Landlord and Tenant agree that the Security Deposit may be commingled with funds of Landlord and Landlord shall have no obligation or liability for payment of interest on such deposit. Tenant shall not mortgage, assign, transfer, or encumber the Security Deposit without the prior written consent of Landlord and any attempt by Tenant to do so shall be void, without force or effect and shall not be binding upon Landlord.

If Tenant fails to pay Rent or other amount when due and payable under this Lease, or fails to perform any of the terms hereof, Landlord may appropriate and apply or use all or any portion of the Security Deposit for Rent payments or any other amount then due and unpaid, for payment of any amount for which Landlord has become obligated as a result of Tenant's default or breech, and for any loss or damage sustained by Landlord as a result of Tenant's default or breach, and Landlord may so apply or use this deposit without prejudice to any other remedy Landlord may have by reason of Tenant's default or breach. If Landlord so uses any of the Security Deposit, Tenant shall, within ten (10) days after written demand, therefore, restore the Security Deposit to the full amount originally deposited; Tenant's failure to do so shall constitute an act of default hereunder and Landlord shall have the right to exercise any remedy provided for at Article 27 hereof. Within fifteen (15) days after the Term (or any extension thereof) has expired or Tenant has vacated the Premises, whichever shall last occur, and provided Tenant is not then in default on any of its obligations hereunder, Landlord shall return the Security Deposit to Tenant, or, if Tenant has assigned its interest under this Lease, to the last assignee of Tenant. If Landlord sells its interest in the Premises, Landlord may deliver this deposit to the purchaser of Landlord's interest and thereupon be relieved of any further liability or obligation with respect to the Security Deposit.

8. TENANT'S USE OF THE PREMISES

Tenant shall use the Premises solely for the purposes set forth in Tenant's Use Clause. Tenant shall not use or occupy the Premises in violation of law or any covenant, condition or restriction affecting the Building or Project, or the certificate of occupancy issued for the Building or Project, and shall, upon notice from Landlord, immediately discontinue any use of the Premises which is declared by any governmental authority having jurisdiction to be a violation of law or the certificate of occupancy. Tenant, at Tenant's own cost and expense, shall comply with all laws, ordinances, regulations, rules and/or any directions of any governmental agencies or authorities having jurisdiction which shall, by reason of the nature of Tenant's use or occupancy of the Premises, impose any duty upon Tenant or Landlord with respect to the Premises or its use or occupation. A judgment of any court of competent jurisdiction or the admission by Tenant in any action or proceeding against Tenant that Tenant has violated any such laws, ordinances, regulations, rules and/or directions in the use of the Premises shall be deemed to be a conclusive determination of that fact as between Landlord and Tenant. Tenant shall not do or permit to be done anything, which will invalidate or increase the cost of any fire, extended coverage or other insurance policy covering the Building or Project and/or property located therein, and shall comply with all rules, orders, regulations, requirements and recommendations of the Insurance Services Office or any other organization performing a similar function. Tenant shall promptly upon demand reimburse Landlord for any additional premium charged for such policy by reason of Tenant's failure to comply with the provisions of this Article. Tenant shall not do or permit anything to be done in or about the Premises which will in any way obstruct or interfere with the rights of other tenants or occupants of the Building or Project, or injure or annoy them, or use or allow the Premises to be used for any improper, immoral, unlawful, or objectionable purpose, nor shall Tenant cause, maintain or permit any nuisance in, on or about the Premises. Tenant shall not commit or suffer to be committed any waste in or upon the Premises.

9. SERVICES AND UTILITIES.

Provided that Tenant is not in default hereunder, Landlord agrees to furnish to the Premises during generally recognized business days, and during hours determined by Landlord in its sole discretion, and subject to the Rules and Regulations of the Building or Project, electricity for normal desk top office equipment and normal copying equipment, and heating, ventilation and air conditioning ("HVAC") as required in Landlord's judgment for the comfortable use and occupancy of the Premises. If Tenant desires HVAC at any other time, Landlord shall use reasonable efforts to furnish such service upon reasonable notice from Tenant and Tenant shall pay Landlord's charges therefore on demand. Landlord shall also maintain and keep lighted the common stairs, common entries and restrooms in the Building. Landlord shall not be in default hereunder or be liable for any damages directly or indirectly resulting from, nor shall the Rent be abated by reason of (I) the installation, use or interruption of use of any equipment in connection with the furnishing of any of the foregoing services, (ii) failure to furnish or delay in furnishing any such services where such failure or delay is caused by accident or any condition or event beyond the reasonable control of Landlord, or by the making of necessary repairs or improvements to the Premises, Building or Project, or (iii) the limitation, curtailment or rationing of, or restrictions on, use of water, electricity, gas or any other form of energy serving the Premises, Building or Project. Landlord shall not be liable under any circumstances for a loss of or injury to property or business, however occurring, through or in connection with or incidental to failure to furnish any such services. If Tenant uses heat generating machines or equipment in the Premises which affect the temperature otherwise maintained by the HVAC system, Landlord reserves the right to install supplementary air conditioning units in the Premises and the cost thereof, including the cost of installation, operation and maintenance thereof, shall be paid by Tenant to Landlord upon demand by Landlord.

Tenant shall not, without the written consent of Landlord, use any apparatus or devise in the Premises, including without limitation, electronic data processing machines, punch card machines or machines using in excess of 120 volts, which consumes more electricity than is usually furnished or supplied for the use of premises as general office space, as determined by Landlord. Tenant shall not connect any apparatus with electric current except through existing electrical outlets in the Premises. Tenant shall not consume water or electric current in excess of that usually furnished or supplied for the use of premises as general office space (as determined by Landlord), without first procuring the written consent of Landlord, which Landlord may refuse, and in the event of consent, Landlord may have installed a water meter or electrical current meter in the Premises to measure the amount of water or electric current consumed. The cost of any such meter and of its installation, maintenance and repair shall be paid for by the Tenant and Tenant agrees to pay to Landlord Promptly upon demand for all such water and electric current consumed as shown by said meters, at the rates charged for such services by the local public utility plus any additional expense incurred in keeping account of the water and electric current so consumed. If a separate meter is not installed, the excess cost for such water and electric current shall be established by an estimate made by a utility company or electrical engineer hired by Landlord at Tenant's expense.

Nothing contained in this Article shall restrict Landlord's right to require at any time separate metering of utilities furnished to the Premises. In the event utilities are separately metered, Tenant shall pay promptly upon demand for all utilities consumed at utility rates charged by the local public utility plus any additional expense incurred by Landlord in keeping account of the utilities so consumed. Tenant shall be responsible for the maintenance and repair of any such meters at it sole cost.

Landlord shall furnish elevator service, lighting replacement for building standard lights, restroom supplies, window washing and janitor services of common area in a manner that such services are customarily furnished to comparable office buildings in the area.

10. CONDITION OF THE PREMISES.

Tenant's taking possession of the Premises shall be deemed conclusive evidence that as of the date of taking possession of the Premises are in good order and satisfactory condition, except for such matters as to which Tenant gave Landlord notice on or before the Commencement Date. No promise of Landlord to alter, remodel, repair or improve the Premises, the Building or the Project and no representation, express or implied, respecting any matter or thing relating to the Premises, Building, Project or this Lease (including, without limitation, the condition of the Premises, the Building or the Project) have been made to Tenant by Landlord or its Broker or Sales Agent, other than as may be contained herein or in a separate exhibit or addendum signed by Landlord and Tenant.

11. CONSTRUCTION, REPAIRS AND MAINTENANCE.

a. *Landlord's Obligations*: Landlord shall maintain in good order, condition, and repair the Building and all other portions of the Premises not the obligation of Tenant or of any other tenant in the Building.

b. *Tenant's Obligations*:

(1.) Tenant shall perform Tenant's Work to the Premises as described in an exhibit specific to Tenant Improvements, if applicable."

(2.) Tenant at Tenant's sole expense shall, except for services furnished by Landlord pursuant to Article 9 hereof, maintain the Premises in good order, condition, and repair, including the interior surfaces of the ceilings, walls and floors, all doors, all interior windows, all plumbing, pipes and fixtures, electrical wiring, switches and fixtures, Building Standard furnishings and special items and equipment installed by or at the expense of Tenant.

(3.) Tenant shall be responsible for all repairs and alterations in and to the Premises, Building and Project and the facilities and systems thereof, the need for which arises out of (i) Tenant's use or occupancy of the Premises, (ii) the installation, removal, use or operation of Tenant's Property (as defined in Article 13) in the Premises, (iii) the moving of Tenant's Property into or out of the Building, or (iv) the act, omission, misuse or negligence of Tenant, its agents, contractors, employees or invitees.

(4.) If Tenant fails to maintain the Premises in good order, condition and repair, Landlord shall give Tenant notice to do such acts as are reasonably required to so maintain the Premises. If Tenant fails to promptly commence such work and diligently prosecute it to completion, then Landlord shall have the right to do such acts and expend such funds at the expense of Tenant as are reasonably required to perform such work. Any amount so expended by Landlord shall be paid by Tenant promptly after demand with interest at the prime commercial rate then being charged by Bank of America NT & SA plus two percent (2%) per annum, from the date of such work, but not to exceed the maximum rate then allowed by law. Landlord shall have no liability to Tenant for any damage, inconvenience, or interference with the use of the Premises by Tenant as a result of performing any such work.

c. *Compliance with Law*: Landlord and Tenant shall each do all acts required to comply with all applicable laws, ordinances, and rules of any public authority relating to their respective maintenance obligations as set forth herein.

d. *Waiver by Tenant*: Tenant expressly waives the benefits of any statute now or hereafter in effect which would otherwise afford the Tenant the right to make repairs at Landlord's expense or to terminate this Lease because of Landlord's failure to keep the Premises in good order, condition and repair.

e. *Load and Equipment Limits*: Tenant shall not place a load upon any floor of the Premises which exceeds the load per square foot which such floor was designed to carry, as determined by Landlord or Landlord's structural engineer. The cost of any such determination made by Landlord's structural engineer shall be paid for by Tenant upon demand. Tenant shall not install business machines or mechanical equipment which cause noise or vibration to such a degree as to be objectionable to Landlord or other Building tenants.

f. Except as otherwise expressly provided in this Lease, Landlord shall have no liability to Tenant nor shall Tenant's obligations under this Lease be reduced or abated in any manner whatsoever by reason of any inconvenience, annoyance, interruption or injury to business arising from Landlord's making any repairs or changes which Landlord is required or permitted by this Lease or by any other tenant's lease or required by law to make in or to any portion of the Project, Building or the Premises. Landlord shall nevertheless use reasonable efforts to minimize any interference with Tenant's business in the Premises.

g. Tenant shall give Landlord prompt notice of any damage to or defective condition in any part or appurtenance of the Building's mechanical, electrical, plumbing, HVAC or other systems serving, located in, or passing through the Premises.

h. Upon the expiration or earlier termination of this Lease, Tenant shall return the Premises to Landlord clean and in the same condition as on the date Tenant took possession, except for normal wear and tear. Any damage to the Premises, including any structural damage, resulting from Tenant's use or from the removal of Tenant's fixtures, furnishings and equipment pursuant to Section 13b shall be repaired by Tenant at Tenant's expense.

12. ALTERATIONS AND ADDITIONS.

a. Tenant shall not make any additions, alterations or improvements to the Premises without obtaining the prior written consent of Landlord. Landlord's consent may be conditioned on Tenant's removing any such additions, alterations or improvements upon the expiration of the term and restoring the Premises to the same condition as on the date Tenant took possession. All work with respect to any addition, alteration or improvement shall be done in a good and workmanlike manner by properly qualified and licensed personnel approved by Landlord, and such work shall be diligently prosecuted to completion. Landlord may, at Landlord's option, require that any such work be performed by Landlord's contractor in which case the cost of such work shall be paid for before commencement of the work. Tenant shall pay to Landlord upon completion of any such work by Landlord's contractor, an administrative fee of fifteen percent (15%) of the cost of the work.

b. Tenant shall pay the costs of any work done on the Premises pursuant to Section 12a, and shall keep the Premises, Building and Project free and clear of liens of any kind. Tenant shall indemnify, defend against and keep Landlord free and harmless from all liability, loss, damage, costs, attorneys' fees and any other expense incurred on account of claims by any person performing work or furnishing materials or supplies for Tenant or any person claiming under Tenant.

Tenant shall keep Tenant's leasehold interest, and any additions or improvements which are or become the property of Landlord under this Lease, free and clear of all attachment or judgment liens. Before the actual commencement of any work for which a claim or lien may be filed, Tenant shall give Landlord notice of the intended commencement date a sufficient time before that date to enable Landlord to post notices of non-responsibility or any other notices which Landlord deems necessary for the proper protection of Landlord's interest in the Premises, Building or the Project, and Landlord shall have the right to enter the Premises and post such notice at any reasonable time.

c. Landlord may require, at Landlord's sole option, that Tenant provide to Landlord, at Tenant's expense, a lien and completion bond in an amount equal to at least one and one-half (1.5) times the total estimated cost of any additions, alterations or improvements to be made in or to the Premises, to protect Landlord against any liability for mechanic's and material men's liens and to insure timely completion of the work. Nothing contained in this Section 12c shall relieve Tenant of its obligations under Section 12b to keep the Premises, Building and Project free of all liens.

d. Unless their removal is required by Landlord as provided in Section 12a, all additions, alterations and improvements made to the Premises shall become the property of Landlord and be surrendered with the Premises upon the expiration of the Term; provided, however, Tenant's equipment, machinery and trade fixtures which can be removed without damage to the Premises shall remain the property of Tenant and may be removed, subject to the provisions of Section 13b.

13. LEASEHOLD IMPROVEMENTS; TENANT'S PROPERTY.

a. All fixtures, equipment, improvements, and appurtenances attached to or built into the Premises at the commencement of or during the Term, whether or not by or at the expense of Tenant ("Leasehold Improvements"), shall be and remain a part of the Premises, shall be the property of Landlord and shall not be removed by Tenant, except as expressly provided in Section 13b.

b. All movable partitions, business and trade fixtures, machinery and equipment, communications equipment and office equipment located in the Premises and acquired by or for the account of Tenant, without expense to Landlord, which can be removed without structural damage to the Building, and all furniture, furnishings and other articles of movable personal property owned by Tenant and located in the Premises (collectively "Tenant's Property") shall be and shall remain the property of Tenant and may be removed by Tenant at any time during the Term; provided that if any of Tenant's Property is removed, Tenant shall promptly repair any damage to the Premises or to the Building resulting from such removal.

14. RULES AND REGULATIONS.

Tenant agrees to comply with (and cause its agents, contractors, employees and invitees to comply with) the rules and regulations attached hereto as Exhibit "D" and with such reasonable modifications thereof and additions thereto as Landlord may from time to time make. Landlord shall not be responsible for any violation of said rules and regulations by other tenants or occupants of the Building of Project.

15. CERTAIN RIGHTS RESERVED BY LANDLORD.

Landlord reserves the following rights, exercisable without liability to Tenant for (a) damage or injury to property, person or business, (b) causing an actual or constructive eviction from the Premises, or (c) disturbing Tenant's use or possession of the Premises:

a. To name the Building and Project and to change the name or street address of the Building or Project;

b. To install and maintain all signs on the exterior and interior of the Building and Project;

c. To have pass keys to the Premises and all doors within the Premises, eluding Tenant's vaults and safes;

d. At any time during the Term, and on reasonable prior notice to Tenant, to inspect the Premises, and to show the Premises to any prospective purchaser or mortgagee of the Project, or to any assignee of any mortgage on the Project, or to others having an interest in the Project or Landlord, and during the last six months of the Term, to show the Premises to prospective tenants thereof; and

e. To enter the Premises for the purpose of making inspections, repairs, alterations, additions or improvements to the Premises or the Building (including, without limitation, checking, calibrating, adjusting or balancing controls and other parts of the HVAC system), and to take all steps as may be necessary or desirable for the safety, protection, maintenance or preservation of the Premises or the Building or Landlord's interest therein, or as may be necessary or desirable for the operation or improvement of the Building or in order to comply with laws, orders or requirements of governmental or other authority. Landlord agrees to use its best efforts (except in an emergency) to minimize interference with Tenant's business in the Premises in the course of any such entry.

16. ASSIGNMENT AND SUBLETTING.

No assignment of this Lease or sublease of all or any part of the Premises shall be permitted, except as provided in this Article 16.

a. Tenant shall not, without the prior written consent of Landlord, assign or hypothecate this Lease or any interest herein or sublet the Premises or any part thereof, or permit the use of the Premises by any party other than Tenant. Any of the foregoing acts without such consent shall be void and shall, at the option of Landlord, terminate this Lease. This Lease shall not, nor shall any interest of Tenant herein, be assignable by operation of law without the written consent of Landlord.

b. If at any time or from time to time during the Term Tenant desires to assign this Lease or sublet all or any part of the Premises, Tenant shall give notice to Landlord setting forth the terms and provisions of the proposed assignment or sublease, and the identity of the proposed assignee or subtenant. Tenant shall promptly supply Landlord with such information concerning the business background and financial condition of such proposed assignee or subtenant as Landlord may reasonably request. Landlord shall have the option, exercisable by notice given to Tenant within twenty (20) days after Tenant's notice is given, either to sublet such space from Tenant at the rental and on the other terms set forth in this Lease for the term set forth in Tenant's notice, or, in the case of an assignment, to terminate this Lease. If Landlord does not exercise such option, Tenant may assign the Lease or sublet such space to such proposed assignee or subtenant on the following further conditions:

(1.) Landlord shall have the right to approve such proposed assignee or subtenant, which approval shall not be unreasonably withheld;

(2.) The assignment or sublease shall be on the same terms set forth in the notice given to Landlord;

(3.) No assignment or sublease shall be valid and no assignee or sub lessee shall take possession of the Premises until an executed counterpart of such assignment or sublease has been delivered to Landlord;

(4.) No assignee or sub lessee shall have a further right to assign or sublet except on the terms herein contained; and

(5.) Any sums or other economic consideration received by Tenant as a result of such assignment or subletting, however denominated under the assignment or sublease, which exceed, in the aggregate, (i) the total sums which Tenant is obligated to pay Landlord under this Lease (prorated to reflect obligations allocable to any portion of the Premises subleased), plus (ii) any real estate brokerage commissions or fees payable in connection with such assignment or subletting, shall be paid to Landlord as additional rent under this Lease without affecting or reducing any other obligations of Tenant hereunder.

c. Notwithstanding the provisions of paragraphs a and b above, Tenant may assign this Lease or sublet the Premises or any portion thereof, without Landlord's consent and without extending any recapture or termination option to Landlord, to any corporation which controls, is controlled by or is under common control with Tenant, or to any corporation resulting from a merger or consolidation with Tenant, or to any person or entity which acquires all the assets of Tenant's business as a going concern, provided that (i) the assignee or sub lessee assumes, in full, the obligations of Tenant under this Lease, (ii) Tenant remains fully liable under this Lease, and (iii) the use of the Premises under Article 8 remains unchanged.

d. No subletting or assignment shall release Tenant of Tenant's obligations under this Lease or alter the primary liability of Tenant to pay the Rent and to perform all other obligations to be performed by Tenant hereunder. The acceptance of Rent by landlord from any other person shall not be deemed to be a waiver by Landlord of any provision hereof. Consent to one assignment or subletting shall not be deemed consent to any subsequent assignment or subletting. In the event of default by an assignee or subtenant or any successor of Tenant in the performance of any of the terms hereof, Landlord may proceed directly against Tenant without the necessity of exhausting remedies against such assignee, subtenant or successor. Landlord may consent to subsequent assignments of the Lease or sub lettings or amendments or modifications to the Lease with assignees of tenant, without notifying Tenant, or any successor of Tenant, and without obtaining its or their consent thereof and any such actions shall not relieve Tenant of liability under this Lease.

e. If Tenant assigns the Lease or sublets the Premises or requests the consent of Landlord to any assignment or subletting or if Tenant requests the consent of Landlord for any act that Tenant proposes to do, then Tenant shall, upon demand, pay Landlord an administrative fee of One Hundred Fifty and No/100 Dollars ($150.00) plus any attorney's fees reasonably incurred by Landlord in connection with such act or request.

17. HOLDING OVER.

If after expiration of the Term, Tenant remains in possession of the Premises with Landlord's permission (express or implied), Tenant shall become a tenant from month to month only, upon all the provisions of this Lease (except as to term and Base Rent), but the "Monthly Installments of Base Rent" payable by Tenant shall be increased to one hundred fifty percent (150%) of the Monthly Installments of Base Rent payable by Tenant at the expiration of the Term. Such monthly rent shall be payable in advance on or before the first day of each month. If either party desires to terminate such month-to-month tenancy, it shall give the other party not less than thirty (30) days advance written notice of the date of termination.

18. SURRENDER OF PREMISES.

a. Tenant shall peaceably surrender the Premises to Landlord on the Expiration Date, in broom-clean condition and in as good condition as when Tenant took possession, except for (i) reasonable wear and tear, (ii) loss by fire or other casualty, and (iii) loss by condemnation. Tenant shall, on Landlord's request, remove Tenant's Property on or before the Expiration Date and promptly repair all damage to the Premises or Building caused by such removal.

b. If Tenant abandons or surrenders the Premises, or is dispossessed by process of law or otherwise, any of Tenant's Property left on the Premises shall be deemed to be abandoned, and, at Landlord's option, title shall pass to Landlord under this Lease as by a bill of sale. If Landlord elects to remove all or any part of such Tenant's Property, the cost of removal, including repairing any damage to the Premises or Building caused by such removal, shall be paid by Tenant. On the Expiration Date, Tenant shall surrender all keys to the Premises.

19. DESTRUCTION OR DAMAGE.

a. If the Premises or the portion of the Building necessary for Tenant's occupancy is damaged by fire, earthquake, act of God, the elements, or other casualty, Landlord shall, subject to the provisions of this Article, promptly repair the damage, if such repairs can, in Landlord's opinion, be completed within ninety (90) days. If Landlord determines that repairs can be completed with ninety (90) days, this Lease shall remain in full force and effect, except that if such damage is not the result of the negligence or willful misconduct of Tenant or Tenant's agents, employees, contractors, licensees, or invitees, the Base Rent shall be abated to the extent Tenant's use of the Premises is impaired, commencing with the date of damage and continuing until completion of the repairs required of Landlord under Section 19d.

b. If in Landlord's opinion, such repairs to the Premises or portion of the Building necessary for Tenant's occupancy cannot be completed within ninety (90) days, Landlord may elect, upon notice to Tenant given within thirty (30) days after the date of such fire or other casualty, to repair such damage, in which event this Lease shall continue in full force and effect, but the Base Rent shall be partially abated as provided in Section 19a. If Landlord does not so elect to make such repairs, this Lease shall terminate as of the date of such fire or other casualty.

c. If any other portion of the Building or Project is totally destroyed or damaged to the extent that in Landlord's opinion repair thereof cannot be completed within ninety (90) days, Landlord may elect upon notice to Tenant given within thirty (30) days after the date of such fire or other casualty, to repair such damage, in which event this Lease shall continue in full force and effect, but the Base Rent shall be partially abated as provided in Section 19a. If Landlord does not so elect to make such repairs, this Lease shall terminate as of the date of such fire or other casualty.

d. If the Premises are to be repaired under this Article, Landlord shall repair at its cost any injury or damage to the Building and Building Standard Work in the Premises. Tenant shall be responsible at its sole cost and expense for the repair, restoration, and replacement of any other Leasehold Improvements and Tenant's Property. Landlord shall not be liable for any loss of business, inconvenience or annoyance arising from any repair or restoration of any portion of the Premises, Building, or Project as a result of any damage from fire or other casualty.

e. This Lease shall be considered an express agreement governing any case of damage to or destruction of the Premises, Building, or Project by fire or other casualty, and any present or future law which purports to govern the rights of Landlord and Tenant in such circumstances in the absent of express agreement, shall have no application.

20. EMINENT DOMAIN.

a. If the whole of the Building or Premises is lawfully taken by condemnation or in any other manner for any public or quasi-public purpose, this Lease shall terminate as of the date of such taking, and Rent shall be prorated to such date. If less than the whole of the Building or Premises is so taken, this Lease shall be unaffected by such taking, provided that (i) Tenant shall have the right to terminate this Lease by notice to Landlord given within ninety (90) days after the date of such taking if twenty percent (20%) or more of the Premises is taken and the remaining area of the Premises is not reasonably sufficient for Tenant to continue operation of its business, and (ii) Landlord shall have the right to terminate this Lease by notice to Tenant given within ninety (90) days after the date of such taking. If either Landlord or Tenant so elects to terminate this Lease, the Lease shall terminate on the thirtieth (30th) day after either such notice. The Rent shall be prorated to the date of termination. If this Lease continues in force upon such partial taking, the Base Rent and Tenant's Proportionate Share shall be equitably adjusted according to the remaining Rentable Area of the Premises and Project.

b. In the event of any taking, partial or whole, all of the proceeds of any award, judgment, or settlement payable by the condemning authority shall be the exclusive property of Landlord, and Tenant hereby assigns to Landlord all of its right, title, and interest in any award, judgment, or settlement from the condemning authority. Tenant, however, shall have the right, to the extent that Landlord's award is not reduced or prejudiced, to claim from the condemning authority (but not from Landlord) such compensation as may be recoverable by Tenant in its own right for relocation expenses and damage to Tenant's personal property.

c. In the event of a partial taking of the Premises which does not result in a termination of this Lease, Landlord shall restore the remaining portion of the Premises as nearly as practicable to its condition prior to the condemnation or taking, but only to the extent of Building Standard Work. Tenant shall be responsible at its sole cost and expenses for the repair, restoration, and replacement of any other Leasehold improvements and Tenant's Property.

21. INDEMNIFICATION.

a. Tenant shall indemnify and hold Landlord harmless against and from liability and claims of any kind for loss or damage to property of Tenant or any other person, or for any injury to or death of any person, arising out of: (1) Tenant's use and occupancy of the Premises, or any work, activity, or other things allowed or suffered by Tenant to be done in, on, or about the Premises; (2) any breach or default by Tenant of any of the Tenant's obligations under this Lease; or (3) any negligent or otherwise tortuous act or omission of Tenant, its agents, employees, invitees, or contractors. Tenant shall at Tenant's expense and by counsel satisfactory to Landlord, defend Landlord in any action or proceeding arising from any such claim and shall indemnify Landlord against all costs, attorneys' fees, expert witness fees, and any other expenses incurred in such action or proceeding. As a material part of the consideration for Landlord's execution of this Lease, Tenant hereby assumes all risk of damage or injury to any person or property in, on, or about the Premises from any cause.

b. Landlord shall not be liable for injury or damage which may be sustained by the person or property of Tenant, its employees, invitees, or customers or any other person in or about the Premises, caused by or resulting from fire, steam, electricity, gas, water, or rain which may leak or flow from or into any part of the Premises, or from the breakage, leakage, obstruction, or other defects of pipes, sprinklers, wires, appliances, plumbing, air conditioning, or lighting fixtures, whether such damage or injury results from conditions arising upon the Premises or upon other portions of the Building or Project or from other sources. Landlord shall not be liable for any damages arising from any act or omission of any other tenant of the Building or Project.

22. TENANT'S INSURANCE.

a. All insurance required to be carried by Tenant hereunder shall be issued by responsible insurance companies acceptable to Landlord and Landlord's lender and qualified to do business in the State. Each policy shall name Landlord, and at Landlord's request any mortgagee of Landlord, as an additional insured, as their respective interests may appear. Each policy shall contain (i) a cross-liability endorsement, (ii) a provision that such policy and the coverage evidenced thereby shall be primary and non-contributing with respect to any policies carried by Landlord and that any coverage carried by Landlord shall be excess insurance, and (iii) a waiver by the insurer of any right of subrogation against Landlord, its agents, employees, and representatives, which arises or might arise by reason of any payment under such policy or by reason of any act or omission of Landlord, its agents, employees, or representatives. A copy of each paid up policy (authenticated by the insurer) or certificate of the insurer evidencing the existence and amount of each insurance policy required hereunder shall be delivered to Landlord before the date Tenant is first given the right of possession of the Premises, and thereafter within thirty (30) days after any demand by Landlord therefore. Landlord may, at any time and from time to time, inspect and/or copy any insurance policies required to be maintained by Tenant hereunder. No such policy shall be cancelable except after twenty (20) days written notice to Landlord and Landlord's lender. Tenant shall furnish Landlord with renewals or "binders" of any such policy at least ten (10) days prior to the expiration th4ereof. Tenant agrees that if Tenant does not take out and maintain such insurance, Landlord may (but shall not be required to) procure said insurance on Tenant's behalf and charge the Tenant the premiums together with a twenty-five percent (25%) handling charge, payable upon demand. Tenant shall have the right to provide such insurance coverage pursuant to blanket policies obtained by the Tenant, provided such blanket policies expressly afford coverage to the Premises, Landlord, Landlord's mortgagee, and Tenant as required by this Lease.

b. Beginning on the date Tenant is given access to the Premises for any purpose and continuing until expiration of the Term, Tenant shall procure, pay for and maintain in effect policies of casualty insurance covering (i) all Leasehold Improvements (including any alterations, additions, or improvements as may be made by Tenant pursuant to the provisions of Article 12 hereof), and (ii) trade fixtures, merchandise, and other personal property from time to time in, on, or about the Premises, in an amount not less than one hundred percent (100%) of their actual replacement cost from time to time, providing protection against any peril included within the classification "Fire and Extended Coverage" together with insurance against sprinkler damage, vandalism, and malicious mischief. The proceeds of such insurance shall be used for the repair or replacement of the property so insured. Upon termination of this Lease following a casualty as set forth herein, the proceeds under (i) above be paid to Landlord, and the proceeds under (ii) above be paid to Tenant.

c. Beginning on the date Tenant is given access to the Premises for any purpose and continuing until expiration of the Term, Tenant shall procure, pay for, and maintain in effect worker's compensation insurance as required by law and comprehensive public liability and property damage insurance with respect to the construction of improvements on the Premises, the use, operation, or condition of the Premises, and the operations of Tenant in, on, or about the Premises, providing broad form property damage coverage for not less than Five Hundred Thousand Dollars ($500,000) per person and One Million Dollars ($1,000,000) each occurrence, and property damage liability insurance with a limit of not less than Two Hundred Fifty Thousand Dollars ($250,000) each accident.

d. Not less than every three (3) years during the Term, Landlord and Tenant shall mutually agree to increases in all of Tenant's insurance policy limits for all insurance to be carried by Tenant as set forth in this Article. In the event Landlord and Tenant cannot mutually agree upon the amounts of said increases, then Tenant agrees that all insurance policy limits as set forth in this Article shall be adjusted for increases in the cost of living in the same manner as is set forth in Section 5.2 hereof for the adjustment of the Base Rent.

23. WAIVER OF SUBROGATION.

Landlord and Tenant each hereby waive all rights or recovery against the other and against the officers, employees, agents, and representatives of the other, on account of loss by or damage to the waiving party of its property or the property of others under its control, to the extent that such loss or damage is insured against under any fire and extended overage insurance policy which either may have in force at the time of the loss or damage. Tenant shall, upon obtaining the policies of insurance required under this Lease, give notice to its insurance carrier or carriers that the foregoing mutual waiver of subrogation is contained in this Lease.

24. SUBORDINATION AND ATTORNMENT.

Upon written request of Landlord, or any first mortgagee or first deed of trust beneficiary of Landlord, or ground lessor of Landlord, Tenant shall, in writing, subordinate its rights under this Lease to the lien of any first mortgage or first deed of trust, or to the interest of any lease in which Landlord is lessee, and to all advances made or thereafter to be made thereunder. However, before signing any subordination agreement, Tenant shall have the right to obtain from any lender or lessor or Landlord requesting such subordination, an agreement in writing providing that, as long as Tenant is not in default hereunder, this Lease shall remain in effect for the full Term. The holder of any security interest may, upon written notice to Tenant, elect to have this Lease prior to its security interest regardless of the time of the granting or recording of such security interest.

In the event of any foreclosure sale, transfer in lieu of foreclosure, or termination of the lease in which Landlord is lessee, Tenant shall attorn to the purchaser, transferee, or lessor, as the case may be, and recognize that party as Landlord under this Lease provided such party acquires and accepts the Premises subject to this Lease.

25. TENANT ESTOPPEL CERTIFICATE.

Within ten (10) days after written request from Landlord, Tenant shall execute and deliver to Landlord or Landlord's designee, a written statement certifying (a) that this lease is unmodified and in full force and effect, or is in full force and effect as modified and stating the modifications; (b) the amount of Base Rent and the date to which Base Rent and additional rent have been paid in advance; (c) the amount of any security deposited with Landlord; and (d) that Landlord is not in default hereunder or, if Landlord is claimed to be in default, stating the nature lf any claimed default. Any such statement may be relied upon by a purchaser, assignee, or lender. Tenant's failure to execute and deliver such statement within the time required shall at Landlord's election be a default under this Lease and shall also be conclusive upon Tenant that: (1) this Lease is in full force and effect and has not been modified except as represented by Landlord; (2) there are no uncured defaults in Landlord's performance and that Tenant has not right of offset, counter-claim, or deduction against Rent; and (3) not more than one month's Rent has been paid in advance.

26. TRANSFER OF LANDLORD'S INTEREST.

In the event of any sale or transfer by Landlord of the Premises, Building, or Project, and assignment of this Lease by Landlord, Landlord shall be and is hereby entirely freed and relieved of any and all liability and obligations contained in or derived from this Lease arising out of any act, occurrence, or omission relating to the Premises, Building, Project, or Lease occurring after the consummation of such sale or transfer, providing the purchaser shall expressly assume all of the covenants and obligations of Landlord under this Lease. If any security deposit or prepaid Rent has been paid by Tenant, Landlord may transfer the security deposit or prepaid Rent to Landlord's successor and upon such transfer, Landlord shall be relieved of any and all further liability with respect thereto.

27. DEFAULT.

27.1. *Tenant's Default*. The occurrence of any one or more of the following events shall constitute a default and breach of this Lease by Tenant:

a. If Tenant abandons or vacates the Premises; or

b. If Tenant fails to pay any Rent or any other charges required to be paid by Tenant under this Lease and such failure continues for five (5) days after such payment is due and payable; or

c. If Tenant fails to promptly and fully perform any other covenant, condition, or agreement contained in this lease and such failure continues for thirty (30) days after written notice thereof from Landlord to Tenant; or

d. If a writ of attachment or execution is levied on this Lease or on any of Tenant's Property; or

e. If Tenant makes a general assignment for the benefit of creditors, or provides for an arrangement, composition, extension or adjustment with its creditors; or

f. If Tenant files a voluntary petition for relief or if a petition against Tenant in a proceeding under the federal bankruptcy laws or other insolvency laws is filed and not withdrawn or dismissed within forty-five (45) days thereafter, or if under the provisions of any law providing for reorganization or winding up of corporations, any court of competent jurisdiction assumes jurisdiction, custody, or control of Tenant or any substantial part of its property and such jurisdiction, custody, or control remains in force unrelinquished, unstayed, or unterminated for a period of forty-five (45) days; or

g. If in any proceeding or action in which Tenant is not a party, a trustee, receiver, agent, or custodian is appointed to take charge of the Premises or Tenant's Property (or has the authority to do so) for the purpose of enforcing a lien against the Premises or Tenant's Property; or

h. If Tenant is a partnership or consists of more than one (1) person or entity, if any partner of the partnership or other person or entity is involved in any of the acts or events described in subparagraphs d through g above.

27.2. *Remedies*. In the event of Tenant's default hereunder, then, in addition to any other rights or remedies Landlord may have under any law, Landlord shall have the right, at Landlord's option, without further notice or demand of any kind to do the following:

a. Terminate this Lease and Tenant's right to possession of the Premises and re-enter the Premises and take possession thereof, and Tenant shall have no further claim to the Premises or under this Lease; or

b. Continue this Lease in effect, re-enter and occupy the Premises for the account of Tenant, and collect any unpaid Rent or other charges which have or thereafter become due and payable; or

c. Re-enter the Premises under the provisions of subparagraph b and thereafter elect to terminate this Lease and Tenant's right to possession of the Premises.

If Landlord re-enters the Premises under the provisions of subparagraph b or c above, Landlord shall not be deemed to have terminated this Lease or the obligation of Tenant to pay any Rent or other charges thereafter accruing, unless Landlord notifies Tenant in writing of Landlord's election to terminate this Lease. In the event of any re-entry or retaking of possession by Landlord, Landlord shall have the right, but not the obligation, to remove all or any part of Tenant's Property in the Premises and to place such property in storage at a public warehouse at the expense and risk of Tenant. If Landlord elects to relet the Premises for the account of Tenant, the rent received by Landlord from such reletting shall be applied as follows: first, to the payment of any indebtedness other than Rent due hereunder from Tenant to Landlord; second, to the payment of any costs of such reletting; third, to the payment of the cost of any alterations or repairs to the Premises; fourth, to the payment of Rent due and unpaid hereunder; and the balance, if any, shall be held by Landlord and applied in payment of future Rent as it becomes due. If that portion of rent received from the reletting, which is applied against, the Rent due hereunder is less than the amount of the Rent due, Tenant shall pay the deficiency to Landlord promptly upon demand by Landlord. Such deficiency shall be calculated and paid monthly. Tenant shall also pay to Landlord, as soon as determined, any costs and expenses incurred by Landlord in connection with such reletting or in making alterations and repairs to the Premises, which are not covered by the rent received from the reletting.

Should Landlord elect to terminate this Lease under the provisions of subparagraph a or c above, Landlord may recover as damages from Tenant the following:

(1.) *Past Rent*. The worth at the time of the award of any unpaid Rent which had been earned at the time of termination; plus

(2.) *Rent Prior to Award*. The worth at the time of the award of the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus

(3.) *Rent After Award*. The worth at the time of the award of the amount by which the unpaid Rent for the balance of the Term after the time of award exceeds the amount of the rental loss that Tenant provides could be reasonably avoided; plus

(4.) *Proximately Caused Damages.* Any other amount necessary to compensate Landlord for all detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom including, but not limited to, any costs or expenses (including attorneys' fees) incurred by Landlord in (a) retaking possession of the Premises, (b) maintaining the Premises after Tenant's default, (c) preparing the Premises for reletting to a new tenant, including any repairs or alterations, and (d) reletting the Premises, including broker's commissions.

"The worth at the time of the award@ as used in subparagraphs 1 and 2 above is to be computed by allowing interest at the rate of ten percent (10%) per annum." The worth at the time of the award@ as used in subparagraph 3 above is to be computed by discounting the amount at the discount rate of the Federal Reserve Bank situated nearest to the Premises at the time of the award plus one percent (1%).

The waiver by Landlord of any breach of any term, covenant, or condition of this Lease shall not be deemed a waiver of such term, covenant, or condition or of any subsequent breach of the same or any other term, covenant, or condition. Acceptance of Rent by Landlord subsequent to any breach hereof shall not be deemed a waiver of any preceding breach other than the failure to pay the particular Rent so accepted, regardless of Landlord's knowledge of any breach at the time of such acceptance of Rent. Landlord shall not be deemed to have waived any term, covenant, or condition unless Landlord gives Tenant written notice of such waiver.

27.3 *Landlord's Default.* If Landlord fails to perform any covenant, condition, or agreement contained in this Lease within thirty (30) days after receipt of written notice from Tenant specifying such default, or if such default cannot reasonably be cured within thirty (30) days, if Landlord fails to commence to cure within that thirty (30) day period, then Landlord shall be liable to Tenant for any damages sustained by Tenant as a result of Landlord's breach; provided, however, it is expressly understood and agreed that if Tenant obtains a money judgment against Landlord resulting from any default or other claim arising under this Lease, that judgment shall be satisfied only out of the rents, issues, profits, and other income actually received on account of Landlord's right, title, and interest in the Premises, Building, or Project, and no other real, personal, or mixed property of Landlord (or of any of the partners which comprise Landlord, if any) wherever situated, shall be subject to levy to satisfy such judgment. If, after notice to Landlord of default, Landlord (or any first mortgagee or first deed of trust beneficiary of Landlord) fails to cure the default as provided herein, then Tenant shall have the right to cure that default at Landlord's expense. Tenant shall not have the right to terminate this Lease or to withhold, reduce, or offset any amount against any payments of Rent or any other charges due and payable under this Lease, except as otherwise specifically provided herein.

28. BROKERAGE FEES.

Tenant warrants and represents that it has not dealt with any real estate broker or agent in connection with this Lease or its negotiation except those noted in Section 2.c. Tenant shall indemnify and hold Landlord harmless from any cost, expenses, or liability (including costs of suit and reasonable attorneys' fees) for any compensation, commission, or fees claimed by any other real estate broker or agent in connection with this Lease or its negotiation by reason of any act of Tenant.

29. NOTICES.

All notices, approvals, and demands permitted or required to be given under this Lease shall be in writing and deemed duly served or given if personally delivered or sent by certified or registered U.S. mail, postage prepaid, and addressed as follows: (a) if to Landlord, to Landlord's Mailing Address and to the Building manager, and (b) if to Tenant, to Tenant's Mailing Address; provided, however, notices to Tenant shall be deemed duly served or given if delivered or mailed to Tenant at the Premises. Landlord and Tenant may from time to time by notice to the other designate another place for receipt of future notices.

30. GOVERNMENT ENERGY OR UTILITY CONTROLS.

In the event of imposition of federal, state, or local government controls, rules, regulations, or restrictions on the use or consumption of energy or other utilities during the Term, both Landlord and Tenant shall be bound thereby. In the event of a difference in interpretation by Landlord and Tenant of any such controls, the interpretation of Landlord shall prevail, and Landlord shall have the right to enforce compliance therewith, including the right of entry into the Premises to effect compliance.

31. RELOCATION OF PREMISES.

Landlord shall have the right to relocate the Premises to another part of the Building in accordance with the following:

a. The new premises shall be substantially the same in size, dimension, configuration, decor and nature as the Premises described in this Lease, and if the relocation occurs after the Commencement Date, shall be placed in that condition by Landlord at its cost.

b. Landlord shall give Tenant at least thirty (30) days written notice of Landlord's intention to relocate the Premises.

c. As nearly as practicable, the physical relocation of the Premises shall take place on a weekend and shall be completed before the following Monday. If the physical relocation has not been completed in that time, Base Rent shall abate in full from the time the physical relocation commences to the time it is completed. Upon completion of such relocation, the new premises shall become the "Premises" under this Lease.

d. All reasonable costs incurred by Tenant as a result of the relocation shall be paid by Landlord.

e. If the new premises are smaller than the Premises as it existed before the relocation, Base Rent shall be reduced proportionately.

f. The parties hereto shall immediately execute an amendment to this Lease setting forth the relocation of the Premises and the reduction of Base Rent, if any.

32. QUIET ENJOYMENT.

Tenant, upon paying the Rent and performing all of its obligations under this Lease, shall peaceably and quietly enjoy the Premises, subject to the terms of this Lease and to any mortgage, lease, or other agreement to which this Lease may be subordinate.

33. OBSERVANCE OF LAW.

Tenant shall not use the Premises or permit anything to be done in or about the Premises which will in any way conflict with any law, statute, ordinance or governmental rule or regulation now in force or which may hereafter be enacted or promulgated. Tenant shall, at its sole cost and expense, promptly comply with all laws, statutes, ordinances and governmental rules, regulations or requirements now in force or which may hereafter be in force, and with the requirements of any board of fire insurance underwriters or other similar bodies now or hereafter constituted, relating to, or affecting the condition, use or occupancy of the Premises, excluding structural changes not related to or affected by Tenant's improvements or acts. The judgment of any court of competent jurisdiction or the admission of Tenant in any action against Tenant, whether Landlord is a party thereto or not, that Tenant has violated any law, ordinance or governmental rule, regulation or requirement, shall be conclusive of that fact as between Landlord and Tenant.

34. FORCE MAJEURE.

Any prevention, delay or stoppage of work to be performed by Landlord or Tenant which is due to strikes, labor disputes, inability to obtain labor, materials, equipment or reasonable substitutes therefore, acts of God, governmental restrictions or regulations or controls, judicial orders, enemy or hostile government actions, civil commotion, fire or other casualty, or other causes beyond the reasonable control of the party obligated to perform hereunder, shall excuse performance of the work by that party for a period equal to the duration of that prevention, delay or stoppage. Nothing in this Article 34 shall excuse or delay Tenant's obligation to pay Rent or other charges under this Lease.

35. CURING TENANT'S DEFAULTS.

If Tenant defaults in the performance of any of its obligations under this Lease, Landlord may (but shall not be obligated to) without waiving such default, perform the same for the account at the expense of Tenant. Tenant shall pay Landlord all costs of such performance promptly upon receipt of a bill therefore.

36. SIGN CONTROL.

Tenant shall not affix, paint, erect or inscribe any sign, projection, awning, signal or advertisement of any kind to any part of the Premises, Building or Project, including without limitation, the inside or outside of windows or doors, without the written consent of Landlord. Landlord shall have the right to remove any signs or other matter, installed without Landlord's permission, without being liable to Tenant by reason of such removal, and to charge the cost of removal to Tenant as additional rent hereunder, payable within ten (10) days of written demand by Landlord.

37. MISCELLANEOUS.

a. *Accord and Satisfaction; Allocation of Payments*: No payment by Tenant or receipt by Landlord of a lesser amount than the Rent provided for in this Lease shall be deemed to be other than on account of the earliest due Rent, nor shall any endorsement or statement on any check or letter accompanying any check or payment as Rent be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of the Rent or pursue any other remedy provided for in this Lease. In connection with the foregoing, Landlord shall have the absolute right in its sole discretion to apply any payment received from Tenant to any account or other payment of Tenant then not current and due or delinquent.

b. *Addenda*: If any provision contained in an addendum to this Lease is inconsistent with any other provision herein, the provision contained in the addendum shall control, unless otherwise provided in the addendum.

c. *Attorneys' Fees:* If any action or proceeding is brought by either party against the other pertaining to or arising out of this Lease, the finally prevailing party shall be entitled to recover all costs and expenses, including reasonable attorneys' fees, incurred on account of such action or proceeding.

d. *Captions, Articles and Section Numbers*: The captions appearing within the body of this Lease have been inserted as a matter of convenience and for reference only and in no way define, limit or enlarge the scope or meaning of this Lease. All references to Article and Section numbers refer to Articles and Sections in this Lease.

e. *Changes Requested by Lender*: Neither Landlord or Tenant shall unreasonably withhold its consent to changes or amendments to this Lease requested by the lender on Landlord's interest, so long as these changes do not alter the basic business terms of this Lease or otherwise materially diminish any rights or materially increase any obligations of the party from whom consent to such charge or amendment is requested.

f. *Choice of Law*: This Lease shall be construed and enforced in accordance with the laws of the State of California.

g. *Consent*: Notwithstanding anything contained in this Lease to the contrary, Tenant shall have no claim, and hereby waives the right to any claim against Landlord for money damages by reason of any refusal, withholding or delaying by Landlord of any consent, approval or statement of satisfaction, and in such event, Tenant's only remedies therefore shall be an action for specific performance, injunction or declaratory judgment to enforce any right to such consent, etc.

h. *Corporate Authority*: If Tenant is a corporation, each individual signing this Lease on behalf of Tenant represents and warrants that he is duly authorized to execute and deliver this lease on behalf of the corporation, and that this Lease is binding on Tenant in accordance with its terms. Tenant shall, at Landlord's request, deliver a certified copy of a resolution of its board of directors authorizing such execution.

i. *Counterparts*: This Lease may be executed in multiple counterparts, all of which shall constitute one and the same Lease.

j. *Execution of Lease; No Option*: The submission of this Lease to Tenant shall be for examination purposes only, and does not and shall not constitute a reservation of or option for Tenant to lease, or otherwise create any interest of Tenant in the Premises or any other premises within the Building or Project. Execution of this Lease by Tenant and its return to Landlord shall not be binding on Landlord notwithstanding any time interval, until Landlord has in fact signed and delivered this Lease to Tenant.

k. *Furnishing of Financial Statements; Tenant's Representations*: In order to induce Landlord to enter into this Lease, Tenant agrees that it shall promptly furnish Landlord, from time to time, upon Landlord's written request, with financial statements reflecting Tenant's current financial condition. Tenant represents and warrants that all financial statements, records and information furnished by Tenant to Landlord in connection with this Lease are true, correct and complete in all respects.

l. *Further Assurances*: The parties agree to promptly sign all documents reasonably requested to give effect to the provisions of this Lease.

m. *Mortgagee Protection*: Tenant agrees to send by certified or registered mail to any first mortgagee or first deed of trust beneficiary of Landlord whose address has been furnished to Tenant, a copy of any notice of default served by Tenant on Landlord. If Landlord fails to cure such default within the time provided for in this Lease, such mortgagee or beneficiary shall have an additional thirty (30) days to cure such default; provided that if such default cannot reasonably be cured within that thirty (30) day period, then such mortgagee or beneficiary shall have such additional time to cure the default as is reasonably necessary under the circumstances.

n. *Prior Agreements; Amendments*: This Lease contains all of the agreements of the parties with respect to any matter covered or mentioned in this Lease, and no prior agreement or understanding pertaining to any such matter shall be effective for any purpose. No provisions of this Lease may be amended or added to except by an agreement in writing signed by the parties or their respective successors in interest.

o. *Recording*: Tenant shall not record this Lease without the prior written consent of Landlord. Tenant, upon the request of Landlord, shall execute and acknowledge a "short form" memorandum of this Lease for recording purposes.

p. *Severability*: A final determination by a court of competent jurisdiction that any provision of this Lease is invalid shall not affect the validity of any other provision, and any provision so determined to be invalid shall, to the extent possible, be construed to accomplish its intended effect.

q. *Successors and Assigns*: This Lease shall apply to and bind the heirs, personal representatives, and permitted successors and assigns of the parties.

r. *Time of the Essence:* Time is of the essence of this Lease.

s. *Waiver*: No delay or omission in the exercise of any right or remedy of Landlord upon any default by Tenant shall impair such right or remedy or be construed as a waiver of such default.

t. *Compliance*: The parties hereto agree to comply with all applicable federal, state and local laws, regulations, codes, ordinances and administrative orders having jurisdiction over the parties, property or the subject matter of this Agreement, including, but not limited to, the 1964 Civil Rights Act and all amendments thereto, the Foreign Investment In Real Property Tax Act, the Comprehensive Environmental Response Compensation and Liability Act, and The Americans With Disabilities Act.

The receipt and acceptance by Landlord of delinquent Rent shall not constitute a waiver of any other default; it shall constitute only a waiver of timely payment for the particular Rent payment involved.

No act or conduct of Landlord, including, without limitation, the acceptance of keys to the Premises, shall constitute an acceptance of the surrender of the Premises by Tenant before the expiration of the Term. Only a written notice from Landlord to Tenant shall constitute acceptance of the surrender of the Premises and accomplish a termination of the Lease.

Landlord's consent to or approval of any act by Tenant requiring Landlord's consent or approval shall not be deemed to waive or render unnecessary Landlord's consent to or approval of any subsequent act by Tenant.

Any waiver by Landlord of any default must be in writing and shall not be a waiver of any other default concerning the same or other provision of the Lease.

The parties hereto have executed this Lease as of the dates set forth below.

Date:	____________________	Date:	____________________
Landlord:	Desert Healthcare District	Tenant:	____________________
	dba: Las Palmas Medical Plaza		
By:	Chris Christensen	By:	____________________
Signature:	____________________	Signature:	____________________
Title:	Interim-CEO	Title:	____________________

CONSULT YOUR ADVISORS This document has been prepared for approval by your attorney. No representation or recommendation is made as to the legal sufficiency or tax consequences of this document or the transaction to which it relates. These are questions for your attorney.

In any real estate transaction, it is recommended that you consult with a professional, such as a civil engineer, industrial hygienist or other person, with experience in evaluating the condition of the property, including the possible presence of asbestos, hazardous materials and underground storage tanks.

EXHIBIT "A"

RULES AND REGULATIONS

1. No sign, placard, pictures, advertisement, name or notice shall be inscribed, displayed or printed or affixed on or to any part of the outside or inside of the Building without the written consent of Landlord first had and obtained and Landlord shall have the right to remove any such sign, placard, picture, advertisement, name or notice without notice to and at the expense of Tenant.

   All approved signs or lettering on entry door and directory shall be printed, painted, affixed, or inscribed at the expense of Landlord by a person approved by Landlord outside the Premises; provided, however, that Landlord may furnish and install a Building standard interior window covering at all exterior windows. Tenant shall not, without prior written consent of Landlord, cause or otherwise sunscreen any window.

2. The sidewalks, halls, passages, exits, entrances, elevators, and stairways shall not be obstructed by any of the tenants or used by them for any purpose other than for ingress and egress from their respective Premises.

3. Tenant shall not alter any lock or install any new or additional locks or any bolts on any doors or windows of the Premises.

4. The toilet rooms, urinals, wash bowls and other apparatus shall not be used for any purpose other than that for which they were constructed and no foreign substance of any kind whatsoever shall be thrown therein and the expense of any breakage, stoppage or damage resulting from the violation of the rule shall be borne by the Tenant who, or whose employees or invitees, shall have caused it.

5. Tenant shall not overload the floor of the Premises or in any way deface the Premises or any part thereof.

6. No furniture, freight or equipment of any kind shall be brought into the Building without the prior notice to Landlord and all moving of the same into or out of the Building shall be done at such time and in such manner as Landlord shall designate. Landlord shall have the right to prescribe the weight, size and position of all safes and other heavy equipment brought into the Building and also the times and manner of moving the same in and out of the Building. Safes or other heavy objects shall, if considered necessary by Landlord, stand on supports of such thickness as is necessary to properly distribute the weight. Landlord will not be responsible for loss of or damage to any such safe or property from any cause and all damage done to the Building by moving or maintaining any such safe or other property shall be repaired at the expense of Tenant.

7. Tenant shall not use, keep or permit to be used or kept any foul or noxious gas or substances in the Premises, or permit or suffer the Premises to be occupied or used in a manner offensive or objectionable to the Landlord or other occupants of the Building by reason of noise, odors and/or vibrations, or interfere in any way with other tenants or those having business therein, nor shall any animals or birds be brought in or kept in or about the Premises of the Building.

8. No cooking shall be done or permitted by any Tenant on the Premises, nor shall the Premises be used for storage of merchandise, for washing clothes, for lodging or for any improper, objectionable, or immoral purposes.

9. Tenant shall not use or keep in the Premises or the Building any kerosene, gasoline or inflammable or combustible fluid or material, or use any method of heating or air conditioning other than that supplied by Landlord.

10. Landlord will direct electricians as to where and how telephone and telegraph wires are to be introduced. No boring or cutting for wires will be allowed without the consent of the Landlord. The location of telephones, call boxes and other office equipment affixed to the Premises shall be subject to the approval of Landlord.

11. On Saturdays, Sundays and legal holidays, and on other days between the hours of 6:00 p.m. and 8:00 a.m. the following day, access to the Building or to the halls, corridors, elevators or stairways in the Building, or to the Premises may be refused unless the person seeking access is known to the person or employee of the Building in charge and has a pass or is properly identified. The Landlord shall in no case be liable for damages for any error with regard to the admission to or exclusion from the Building of any person. In case of invasion, mob, riot, public excitement, or other commotion, the Landlord reserves the right to prevent access to the Building during the continuance of the same by closing of the doors or otherwise, for the safety of the tenants and protection of property in the Building and the Building.

12. Landlord reserves the right to exclude or expel from the Building any person who, in the judgment of Landlord, is intoxicated or under the influence of liquor or drugs, or who shall in any manner do any act in violation of any of the rules and regulations of the Building.

13. No vending machine or machines of any description shall be installed, maintained or operated upon the Premises without the written consent of the Landlord.

14. Landlord shall have the right, exercisable without notice and without liability to Tenant, to change the name and street address of the Building of which the Premises are a part.

15. Tenant shall not disturb, solicit, or canvass any occupant of the Building and shall cooperate to prevent same.

16. Without the written consent of Landlord, Tenant shall not use the name of the Building in connection with or in promoting or advertising the business of Tenant except as Tenant's address.

17. Landlord shall have the right to control and operate the public portions of the Building, and the public facilities, and heating and air conditioning, as well as facilities furnished for the common use of the tenants, in such manner as it deems best for the benefit of the tenants generally.

18. All entrance doors in the Premises shall be left locked when the Premises are not in use, and all doors opening to public corridors shall be kept closed except for normal ingress and egress from the Premises.

__________________ Landlord's Initials

__________________ Tenant's Initials

ADDENDUM

Addendum to that certain Office Building Lease dated November 1, 2023, by and between Desert Healthcare District doing business as the Las Palmas Medical Plaza, as Landlord and DPMG Health, a 501(c)(3), as Tenant, for the property commonly known as Las Palmas Medical Plaza located 555 E. Tachevah Drive, Palm Springs, California 92262.

In the event of any inconsistency between the Addendum language and the body of the Lease, the Addendum language shall prevail.

1. **Commencement Date:** November 1, 2023
2. **Expiration Date:** October 31, 2025
3. **Rent Schedule:** **11/01/2023 – 10/31/2024 $1,540.00**
   11/01/2024 – 10/31/2025 $1,540.00
4. **CAMs:** **Currently $0.80 per square foot.**
5. **Security Deposit:** **No security deposit will be required.**

The foregoing is hereby agreed to and accepted:

Date:	______________	Date:	______________
Landlord:	Desert Healthcare District	Tenant:	______________
	dba: Las Palmas Medical Plaza		
By:	Chris Christensen	By:	______________
Signature:	______________	Signature:	______________
Title:	Interim-CEO	Title:	______________

Date: October 11, 2023

To: Finance, Administration, Real Estate & Legal Committee

Subject: Desert Healthcare District and Foundation as presenting sponsor of the 2024 Palm Springs Health Run and Wellness Festival

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Staff Recommendation: Consideration to approve a $35,000 sponsorship for the Desert Healthcare District and Foundation to be the presenting sponsor for the annual Palm Springs Health Run and Wellness Festival.

Background:

- The District and Foundation continues its celebratory recognition of 75 years of advancing community wellness in the Coachella Valley. It began with the release party of the District and Foundation's history book in May 2023 and will continue in 2024. The next proposed event is as a sponsor of an established, well-known, community-focused Palm Springs Health Run and Wellness Festival.
- As the presenting festival sponsor, the District and Foundation would be prominently promoted and positioned at the festival, which will be produced by Hocker Productions. The annual event is attended by community partners and hundreds of local residents of all ages and backgrounds. It includes a 10K and 5K run (or walk), informational booths, programming from the stage, food and drink, and more for participants.
- The presenting sponsorship level would allow the District and Foundation to have a large booth/exhibit space that would include the mobile medical clinics to provide screenings and/or services (if available). It also includes frequent mentions in event marketing and the opportunity to provide programming.
- The festival is scheduled for January 27, 2024, at Ruth Hardy Park in Palm Springs
- Staff recommends approval of a $35,000 presenting sponsorship for the Palm Springs Health Run and Wellness Festival.

Fiscal Impact:

$35,000 Presenting Sponsorship as part of the marketing budget.

Desert Healthcare District & Foundation as Presenting Sponsor

Promotional Value for Palm Springs Health Run & Wellness Festival January 27, 2024

Pre-Event:

- 75^{th} Anniversary tagline and description to be incorporated in all signage and branding
- DHCD/F Branded event logo DHCD/F as **Presenting Sponsor** on 2 Lamar Outdoor digital billboards (Dinah Shore at Bob Hope and at Date Palm & Hwy. 111) (Value $5,000)
- DHCD/F mention and logo in 70 KESQ News Channel 3 (: 30 spots) (Value $5,000)
- DHCD/F mentioned in 150 radio ads on Alpha Media (KNEWS 94.3 FM, ESPN 103.9 FM, 103.9 FM) (Value $3,200)
- DHCD/F mentioned in 125 radio ads on Marker Broadcasting (Value $2,700)
- DHCD/F Branded event logo on sizzle reel marketed on social media (Value $1,500)
- Mentions in all Radio & TV interviews as the **Presenting Sponsor** (Value $1,500)
- Name/Logo featured as sponsor in all Desert Sun print/digital advertising and all other print/digital media (Value $1,500)
- DHCD/F Logos link on website for one year (Value $1,500)
- Mentions in all press releases (Value $1,000)
- DHCD/F Branded event logo in The Guide, Palm Springs Life ad (Value $1,000)
- DHCD/F Branded event logo on Visit Palm Springs/PSDRCVA (Dec./Jan.) (Value $1,000)
- DHCD/F Branded event logo in LA Yoga Sponsor Ad (Dec./Jan.) (Value $750)
- DHCD/F Branded event logo in Better Nutrition Sponsor Ad (Dec./Jan.) (Value $750)
- DHCD/F Branded event logo in Desert Health Ads (Dec./Jan.) (Value $600)
- DHCD/F Branded event logo in Desert Charities News Ads (Sept./Jan.) (Value $500)

Onsite:

• DHCD/F Logo on Stage Back-Drop and on all event signage	(Value $2,500)
• DHCD/F Logo on LGBT Stage Back-Drop	(Value $2,500)
• 20x20 hard canopy booth at the event w/table & chairs	(Value $2,200)
• DHCD/F speaker or physician 8-10 minute presentation main stage	(Value $1,000)
• Twenty (20) race registrations	(Value $900)
• Logo on 800 T-shirts	(Value $700)
• Logo on 800 Registration Bags	(Value $700)

Honoree Luncheon:

• Honoree Luncheon Sponsor (: 60 Second Video)	(Value $1,500)
• Speaker Opportunity at Luncheon	(Value $900)
• Six (6) luncheon tickets	(Value $180)
Total Value & ROI	**$40,580.00**

DHCD/F Presenting Sponsorship **$35,000.00**