



DESERT HEALTHCARE DISTRICT
Special Finance, Legal, Administration, & Real Estate Committee Meeting
February 11, 2020

A special meeting of the Finance, Legal, Administration, & Real Estate Committee of the Desert Healthcare District will be held at 3:30 PM, Tuesday, February 11, 2020, in the conference room on the 2nd floor of the Jerry Stergios Building, 1140 N. Indian Canyon Drive, Palm Springs, California.

AGENDA

I. CALL TO ORDER

II. APPROVAL OF AGENDA

III. PUBLIC COMMENT

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

IV. APPROVAL OF MINUTES

ACTION

1. F&A Minutes – Meeting January 14, 2019 – Pg. 3-4

V. CEO REPORT

VI. CHIEF ADMINISTRATION OFFICER'S REPORT – Pg. 5

1. LPMP Leasing Update – Pg. 6

Information

VII. FINANCIAL REPORTS

ACTION

1. District and LPMP Financial Statements – Pg. 7-17
2. Accounts Receivable Aging Summary – Pg. 18
3. District - Deposits – Pg. 19-20
4. District - Property tax receipts – Pg. 21
5. LPMP – Deposits – Pg. 22-23
6. District – Check Register – Pg. 24-25
7. Credit Card – Detail of Expenditures – Pg. 26
8. LPMP – Check Register – Pg. 27
9. Retirement Protection Plan Update – Pg. 28
10. Grant Payment Schedule – Pg. 29

VIII. OTHER MATTERS

1. District & RPP Investment Reports 4Q19 – Keith Stribling, Highmark Capital – Pg. 30-58 Information
2. Auditing Firms – Proposal Review – Pg. 59-94 **ACTION**
3. LPMP Lease Assignment – Suite 2W 201-202 – from Desert Regional Medical Center to First Choice Physician Partners (FCPP) – Pg. 95-130 **ACTION**
4. LPMP Lease Assignment – Suite 3E101-102 from Desert Regional Medical Center to First Choice Physician Partners (FCPP) – Pg. 131-164 **ACTION**
5. FY2019-2020 annual budget schedule – Pg. 165 Information



DESERT HEALTHCARE DISTRICT
Special Finance, Legal, Administration, & Real Estate Committee Meeting
February 11, 2020

IX. ADJOURNMENT

If you have any disability which would require accommodation to enable you to participate in this meeting, please email Andrea S. Hayles, Special Assistant to the CEO and Board Relations Officer, at ahayles@dhcd.org or call (760) 323-6110 at least 24 hours prior to the meeting.



DESERT HEALTHCARE DISTRICT
FINANCE, ADMINISTRATION, REAL ESTATE, LEGAL, AND COMMITTEE
MEETING MINUTES
January 14, 2020

Directors Present	District Staff Present	Absent
Chair/Treasurer Mark Matthews President Leticia De Lara, MPH	Conrado E. Bárag, MD, Chief Executive Officer Chris Christensen, Chief Administration Officer Stephen Huyck, Accounting Manager Andrea S. Hayles, Clerk to the Board	Director Arthur Shorr

AGENDA ITEMS	DISCUSSION	ACTION
I. Call to Order	Chair Matthews called the meeting to order at 3:30 p.m.	
II. Approval of Agenda	Chair Matthews asked for a motion to approve the agenda.	Moved and seconded by President De Lara and Chair Matthews to approve the agenda. Motion passed unanimously.
III. Public Comment	There was no public comment.	
IV. Approval of Minutes 1. F&A Minutes – Meeting November 12, 2019	Chair Matthews motioned to approve the November 12, 2019 minutes.	Moved and seconded by President De Lara and Chair Matthews to approve the agenda.
V. CEO Report	Conrado E. Bárag, MD, CEO, explained that at the board's request to obtain funding for the Community Health Needs Assessment. To date, the District has received \$25k contributions from The California Endowment, Borrego Health, and Tenet Healthcare.	
VI. Chief Financial Officer's Report 1. LPMP Leasing Update	Chris Christensen, CAO, explained that the fire alarm system upgrades are still in progress. Due to the costly expense of the landscape enhancements, the work will be presented in phases. The lease that was supposed to move forward with Dr. Grimm will not commence. It was determined	

**DESERT HEALTHCARE DISTRICT
FINANCE, ADMINISTRATION, REAL ESTATE, LEGAL, AND COMMITTEE
MEETING MINUTES
January 14, 2020**

	that another suite would be more appropriate for their needs. Staff continues to work with the marketing company to lease the remaining vacancies.	
VII. 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	<p>Chair Matthews provided an overview of the financials. Chris Christensen, CAO, explained that he will submit the RPP list to Desert Regional Medical Center’s human resources department to determine if some participants are still employed with the organization.</p> <p>Chris Christensen, CAO, explained that T-Mobile lease at Desert Regional Medical Center is due for renewal this year, and bids from other providers will be requested.</p>	<p>Moved and seconded by President De Lara and Chair Matthews and to approve the December 2019 District Financial Reports - Items 1-10 and to forward to the Board for approval. Motion passed unanimously.</p>
VIII. Other Matters		
IV. Adjournment	Chair Matthews adjourned the meeting at 3:44 p.m.	<p>Audio recording available on the website at http://dhcd.org/Agendas-and-Documents</p>

ATTEST: _____
Mark Matthews, Chair/Treasurer Finance & Administration Committee
Desert Healthcare District Board of Directors

Minutes respectfully submitted by Andrea S. Hayles, Clerk of the Board



Chief Administration Officer's Report

February 11, 2020

Staff is currently working with Elena Peterson from Desert Modern Landscape to find an appealing and cost effective landscape design that can be presented to the committee.

Las Palmas Medical Plaza - Property Management:

Occupancy:

See attached unit rental status report.

97.9% currently occupied –

Total annual rent including CAM fees is \$1,239,781.

Leasing Activity:

Cohen, Musch, Thomas Medical Group (currently located in 3W-101) is working on their tenant improvement for their new units (1W 105-106).

There is a party interested in leasing suite 2W-107. Staff is currently negotiating terms with the potential lessee.

Las Palmas Medical Plaza

Unit Rental Status

As of February 1, 2020

Unit	Tenant Name	Deposit	Lease Dates		Term	Unit Sq Feet	Percent of Total	Monthly Rent	Annual Rent	Rent Per Sq Foot	Monthly CAM	Total Monthly Rent Incig CAM	Total Annual Rent Incig CAM
			From	To									
											\$ 0.62		
3W, 101	Available when Cohen, Musch relocates to 1W, 105-106					1,656	3.36%						
2W, 107	Vacant					1,024	2.07%						
Total - Vacancies						1,024	2.07%	Currently excludes 3W, 101					
Total Suites-33 - 31 Suites Occupied		\$ 59,043.50				49,356	97.9%	\$ 75,135.14	\$ 901,621.68	\$ 1.55	\$ 28,812.64	\$ 103,947.78	\$ 1,247,373.36
		Summary - All Units											
		Occupied	48,332	97.9%									
		Vacant	1,024	2.1%									
		Pending	0	0%									
		Total	49,356	100%									

DESERT HEALTHCARE DISTRICT
JANUARY 2020 FINANCIAL STATEMENTS
INDEX
Year to Date Variance Analysis
Cumulative Profit & Loss Budget vs Actual - Summary
Cumulative Profit & Loss Budget vs Actual - District Including LPMP
Cumulative Profit & Loss Budget vs Actual - LPMP
Balance Sheet - Condensed View
Balance Sheet - Expanded View
Accounts Receivable Aging
Deposit Detail - District
Property Tax Receipts - YTD
Deposit Detail - LPMP
Check Register - District
Credit Card Expenditures
Check Register - LPMP
Grants Schedule

DESERT HEALTHCARE DISTRICT
YEAR TO DATE VARIANCE ANALYSIS
ACTUAL VS BUDGET
SEVEN MONTHS ENDED JANUARY 31, 2020

Scope: \$25,000 Variance per Statement of Operations Summary

Account	YTD		Over(Under)	Explanation
	Actual	Budget	Budget	
4000 - Income	\$ 4,974,456	\$ 4,802,446	\$ 172,010	Interest income (net) from FRF investments \$203k; lower NEOPB Grant Income \$31k
5000 - Direct Expenses	\$ 502,306	\$ 687,851	\$ (185,545)	Lower wage related expenses \$164k due to no COO salary; lower health insurance related expenses \$30k; higher education exp 6k; higher RSS/CVHIP allocation 3k
6445 - LPMP Expense	\$ 555,083	\$ 636,785	\$ (81,701)	Lower landscaping expense 55.5k; lower depreciation exp 9.5k; lower marketing exp 6k; lower utilities 3k; lower various 7k
6500 - Professional Fees Expense	\$ 460,471	\$ 691,237	\$ (230,766)	Lower Professional Services 184.5k; lower PR & Communications 24k; lower Legal 22k
7000 - Grants Expense	\$ 649,261	\$ 2,100,292	\$ (1,451,031)	Budget of \$3.5 Million for fiscal year is amortized straight-line over 12-month fiscal year.

Desert Healthcare District
Profit & Loss Budget vs. Actual
 July 2019 through January 2020

	MONTH			TOTAL		
	Jan 20	Budget	\$ Over Budget	Jul '19 - Jan 20	Budget	\$ Over Budget
Income						
4000 · Income	888,737	686,064	202,673	4,974,456	4,802,446	172,010
4500 · LPMP Income	100,735	102,200	(1,465)	697,922	712,450	(14,528)
4501 · Miscellaneous Income	750	950	(200)	5,250	6,650	(1,400)
Total Income	990,221	789,214	201,008	5,677,628	5,521,546	156,082
Expense						
5000 · Direct Expenses	99,323	97,116	2,208	502,306	687,851	(185,545)
6000 · General & Administrative Exp	41,431	43,081	(1,651)	289,303	301,570	(12,267)
6325 · CEO Discretionary Fund	-	417	(417)	1,108	2,917	(1,809)
6445 · LPMP Expenses	86,882	112,398	(25,516)	555,083	636,785	(81,701)
6500 · Professional Fees Expense	56,049	98,748	(42,699)	460,471	691,237	(230,766)
6700 · Trust Expenses	10,456	10,708	(252)	80,791	78,180	2,610
Total Expense Before Grants	294,141	362,468	(68,327)	1,889,063	2,398,541	(509,478)
7000 · Grants Expense	9,694	300,042	(290,348)	649,261	2,100,292	(1,451,031)
Net Income	686,387	126,704	559,683	3,139,304	1,022,713	2,116,591

Desert Healthcare District
Cumulative Profit & Loss Budget vs. Actual
 July 2019 through January 2020

	MONTH			TOTAL		
	Jan 20	Budget	\$ Over Budget	Jul '19 - Jan 20	Budget	\$ Over Budget
Income						
4000 · Income						
4010 · Property Tax Revenues	561,355	561,355	-	3,929,485	3,929,485	-
4200 · Interest Income						
4220 · Interest Income (FRF)	117,841	106,250	11,591	745,305	743,750	1,555
9999-1 · Unrealized gain(loss) on invest	203,042	8,333	194,709	260,421	58,331	202,090
Total 4200 · Interest Income	320,883	114,583	206,300	1,005,726	802,081	203,645
4300 · DHC Recoveries						
4305 · Patient Related Collections	56	-	56	161	-	161
4350 · Rental - Airways	1,749	1,750	(1)	12,243	12,250	(7)
Total 4300 · DHC Recoveries	1,805	1,750	55	12,404	12,250	154
4400 · Grant Income	4,694	8,375	(3,681)	26,842	58,625	(31,783)
Total 4000 · Income	888,737	686,063	202,674	4,974,457	4,802,441	172,016
4500 · LPMP Income	100,735	102,200	(1,465)	697,921	712,450	(14,529)
4501 · Miscellaneous Income	750	950	(200)	5,250	6,650	(1,400)
Total Income	990,222	789,213	201,009	5,677,628	5,521,541	156,087
Expense						
5000 · Direct Expenses						
5100 · Administration Expense						
5110 · Wages Expense	56,940	88,000	(31,060)	433,489	634,230	(200,741)
5111 · Allocation to LPMP - Payroll	(5,085)	(5,084)	(1)	(35,595)	(35,588)	(7)
5112 · Vacation/Sick/Holiday Expense	23,112	7,500	15,612	89,147	52,500	36,647
5114 · Allocation to Foundation	(25,473)	(25,473)	-	(178,311)	(178,311)	-
5115 · Allocation to NEOPB	(4,619)	(7,289)	2,670	(24,648)	(51,023)	26,375
5119 · Allocation to RSS/CVHIP-DHCF	(1,662)	(2,382)	720	(13,097)	(16,674)	3,577
5120 · Payroll Tax Expense	9,810	6,732	3,078	42,998	48,520	(5,522)
5130 · Health Insurance Expense						
5131 · Premiums Expense	12,029	13,012	(983)	75,448	86,290	(10,842)
5135 · Reimb./Co-Payments Expense	76	2,250	(2,174)	6,819	15,750	(8,931)
Total 5130 · Health Insurance Expense	12,105	15,262	(3,157)	82,267	102,040	(19,773)
5140 · Workers Comp. Expense	3,499	924	2,575	8,177	6,660	1,517
5145 · Retirement Plan Expense	5,560	5,807	(247)	29,744	33,668	(3,924)
5160 · Education Expense	443	625	(182)	10,208	4,375	5,833
Total 5100 · Administration Expense	74,630	84,622	(9,992)	444,379	600,397	(156,018)
5200 · Board Expenses						
5210 · Healthcare Benefits Expense	17,015	5,834	11,181	30,761	40,838	(10,077)
5230 · Meeting Expense	3,237	1,667	1,570	9,589	11,669	(2,080)
5235 · Director Stipend Expense	4,065	4,200	(135)	13,265	29,400	(16,135)
5240 · Catering Expense	249	583	(334)	3,368	4,081	(713)
5250 · Mileage Reimbursement Expense	127	208	(81)	938	1,456	(518)
Total 5200 · Board Expenses	24,693	12,492	12,201	57,921	87,444	(29,523)
Total 5000 · Direct Expenses	99,323	97,114	2,209	502,300	687,841	(185,541)
6000 · General & Administrative Exp						
6110 · Payroll fees Expense	171	208	(37)	1,176	1,456	(280)
6120 · Bank and Investment Fees Exp	9,202	9,833	(631)	65,438	68,831	(3,393)
6125 · Depreciation Expense	986	1,250	(264)	6,902	8,750	(1,848)
6126 · Depreciation-Solar Parking lot	15,072	15,072	-	105,504	105,504	-

Desert Healthcare District
Cumulative Profit & Loss Budget vs. Actual
 July 2019 through January 2020

	MONTH			TOTAL		
	Jan 20	Budget	\$ Over Budget	Jul '19 - Jan 20	Budget	\$ Over Budget
6130 · Dues and Membership Expense	3,549	2,500	1,049	26,603	17,500	9,103
6200 · Insurance Expense	1,903	1,500	403	12,621	10,500	2,121
6300 · Minor Equipment Expense	-	42	(42)	-	294	(294)
6305 · Auto Allowance & Mileage Exp	462	600	(138)	2,078	4,200	(2,122)
6306 · Staff- Auto Mileage reimb	725	500	225	3,764	3,500	264
6309 · Personnel Expense	48	83	(35)	6,756	581	6,175
6310 · Miscellaneous Expense	39	42	(3)	92	294	(202)
6311 · Cell Phone Expense	802	776	26	3,249	5,432	(2,183)
6312 · Wellness Park Expenses	-	83	(83)	-	581	(581)
6315 · Security Monitoring Expense	108	42	66	324	294	30
6340 · Postage Expense	16	417	(401)	600	2,919	(2,319)
6350 · Copier Rental/Fees Expense	394	458	(64)	2,436	3,206	(770)
6351 · Travel Expense	1,074	917	157	12,332	6,419	5,913
6352 · Meals & Entertainment Exp	1,824	583	1,241	6,837	4,081	2,756
6355 · Computer Services Expense	2,315	3,775	(1,460)	10,002	26,425	(16,423)
6360 · Supplies Expense	2,040	1,667	373	17,681	11,669	6,012
6380 · LAFCO Assessment Expense	153	1,667	(1,514)	1,071	11,669	(10,598)
6400 · East Valley Office						
6405 · East Valley Office - Rent	550	650	(100)	3,850	4,550	(700)
6410 · East Valley Office - Utilities		417	(417)		2,919	(2,919)
Total 6400 · East Valley Office	550	1,067	(517)	3,850	7,469	(3,619)
Total 6000 · General & Administrative Exp	41,433	43,082	(1,649)	289,316	301,574	(12,258)
6325 · CEO Discretionary Fund		417	(417)	1,108	2,919	(1,811)
6445 · LPMP Expenses	86,883	112,395	(25,512)	555,088	636,765	(81,677)
6500 · Professional Fees Expense						
6516 · Professional Services Expense	37,589	70,000	(32,411)	305,499	490,000	(184,501)
6520 · Annual Audit Fee Expense	1,563	1,540	23	10,941	10,780	161
6530 · PR/Communications/Website	3,898	7,208	(3,310)	26,634	50,456	(23,822)
6560 · Legal Expense	13,000	20,000	(7,000)	117,401	140,000	(22,599)
6561 · Payroll Preparation Fees	-			-		
Total 6500 · Professional Fees Expense	56,050	98,748	(42,698)	460,475	691,236	(230,761)
6700 · Trust Expenses						
6711 · Disability Admin. Fee Expense	-	-	-	-	3,222	(3,222)
6720 · Pension Plans Expense						
6721 · Legal Expense	-	167	(167)	-	1,169	(1,169)
6725 · RPP Pension Expense	10,000	10,000	-	70,000	70,000	-
6728 · Pension Audit Fee Expense	456	542	(86)	10,789	3,794	6,995
Total 6720 · Pension Plans Expense	10,456	10,709	(253)	80,789	74,963	5,826
Total 6700 · Trust Expenses	10,456	10,709	(253)	80,789	78,185	2,604
Total Expense Before Grants	294,145	362,465	(68,320)	1,889,076	2,398,520	(509,444)
7000 · Grants Expense						
7010 · Major Grant Awards Expense	5,000	291,667	(286,667)	622,420	2,041,669	(1,419,249)
7027 · Grant Exp - NEOPB	4,694	8,375	(3,681)	26,842	58,625	(31,783)
Total 7000 · Grants Expense	9,694	300,042	(290,348)	649,261	2,100,294	(1,451,033)
Net Income	686,387	126,704	559,685	3,139,304	1,022,727	2,116,577

Las Palmas Medical Plaza
Cumulative Profit & Loss Budget vs. Actual
 July 2019 through January 2020

	MONTH			TOTAL		
	Jan 20	Budget	\$ Over Budget	Jul '19 - Jan 20	Budget	\$ Over Budget
Income						
4500 · LPMP Income						
4505 · Rental Income	72,721	73,500	(779)	502,472	511,950	(9,478)
4510 · CAM Income	28,014	28,700	(686)	195,449	200,300	(4,851)
4513 · Misc. Income	-	-	-	-	200	(200)
Total 4500 · LPMP Income	100,735	102,200	(1,465)	697,921	712,450	(14,529)
Expense						
6445 · LPMP Expenses						
6420 · Insurance Expense	1,879	1,083	796	13,153	7,581	5,572
6425 · Building - Depreciation Expense	21,484	21,667	(183)	150,388	151,669	(1,281)
6426 · Tenant Improvements -Dep Exp	15,914	17,083	(1,169)	111,398	119,581	(8,183)
6427 · HVAC Maintenance Expense	728	1,333	(605)	7,416	9,331	(1,915)
6428 · Roof Repairs Expense	-	208	(208)	-	1,456	(1,456)
6431 · Building -Interior Expense	-	833	(833)	1,600	5,831	(4,231)
6432 · Plumbing -Interior Expense	922	333	589	2,592	2,331	261
6433 · Plumbing -Exterior Expense	-	208	(208)	-	1,456	(1,456)
6434 · Allocation Internal Prop. Mgmt	5,085	5,084	1	35,595	35,588	7
6435 · Bank Charges	1,207	1,042	165	7,945	7,294	651
6437 · Utilities -Vacant Units Expense	61	208	(147)	354	1,456	(1,102)
6439 · Deferred Maintenance Repairs Ex	540	500	40	540	3,500	(2,960)
6440 · Professional Fees Expense	10,117	10,472	(355)	77,084	73,304	3,780
6441 · Legal Expense	-	83	(83)	-	581	(581)
6458 · Elevators - R & M Expense	226	1,000	(774)	5,596	7,000	(1,404)
6460 · Exterminating Service Expense	250	417	(167)	860	2,919	(2,059)
6463 · Landscaping Expense	5,255	30,833	(25,578)	10,242	65,831	(55,589)
6467 · Lighting Expense	-	833	(833)	2,250	5,831	(3,581)
6468 · General Maintenance Expense	-	83	(83)	-	581	(581)
6471 · Marketing-Advertising	-	1,417	(1,417)	4,096	9,919	(5,823)
6475 · Property Taxes Expense	6,000	6,008	(8)	42,000	42,056	(56)
6476 · Signage Expense	104	125	(21)	319	875	(556)
6480 · Rubbish Removal Medical Waste E	1,501	1,442	59	9,440	10,094	(654)
6481 · Rubbish Removal Expense	4,454	2,250	2,204	15,589	15,750	(161)
6482 · Utilities/Electricity/Exterior	505	625	(120)	3,076	4,375	(1,299)
6484 · Utilities - Water (Exterior)	379	708	(329)	3,292	4,956	(1,664)
6485 · Security Expenses	10,272	6,417	3,855	48,641	44,919	3,722
6490 · Miscellaneous Expense	-	100	(100)	1,622	700	922
Total 6445 · LPMP Expenses	86,883	112,395	(25,512)	555,088	636,765	(81,677)
Net Income	13,852	(10,195)	24,047	142,833	75,685	67,148

Desert Healthcare District
Balance Sheet
As of January 31, 2020

				Jan 31, 20
ASSETS				
	Current Assets			
	Checking/Savings			
		1000 · CHECKING CASH ACCOUNTS		1,913,887
		1100 · INVESTMENT ACCOUNTS		59,900,271
		Total Checking/Savings		61,814,158
		Accounts Receivable		44,846
	Other Current Assets			
		1270 · Prepaid Insurance -Ongoing		20,910
		1279 · Pre-Paid Fees		16,479
		1281 · NEOPB Receivable		27,496
		1295 · Property Tax Receivable		265,533
		Total Other Current Assets		330,418
		Total Current Assets		62,189,422
	Fixed Assets			
		1300 · FIXED ASSETS		4,913,164
		1335-00 · ACC DEPR		(1,935,891)
		1400 · LPMP Assets		6,998,846
		Total Fixed Assets		9,976,119
	Other Assets			
		1700 · OTHER ASSETS		2,867,136
		TOTAL ASSETS		75,032,677
LIABILITIES & EQUITY				
	Liabilities			
	Current Liabilities			
		Accounts Payable		
		2000 · Accounts Payable		50,770
		2001 · LPMP Accounts Payable		10,246
		Total Accounts Payable		61,016
		Other Current Liabilities		
		2002 · LPMP Property Taxes		6,538
		2131 · Grant Awards Payable		5,741,794
		2133 · Accrued Accounts Payable		142,550

Desert Healthcare District
Balance Sheet
As of January 31, 2020

				Jan 31, 20
			2141 · Accrued Vacation Time	29,474
			2188 · Current Portion - LTD	6,168
			2190 · Investment Fees Payable	5,244
			Total Other Current Liabilities	5,931,768
			Total Current Liabilities	5,992,784
			Long Term Liabilities	
			2170 · RPP - Pension Liability	3,465,623
			2171 · RPP-Deferred Inflows-Resources	1,643,743
			2280 · Long-Term Disability	40,626
			2281 · Grants Payable - Long-term	5,400,000
			2286 · Retirement BOD Medical Liabilit	81,280
			2290 · LPMP Security Deposits	61,962
			Total Long Term Liabilities	10,693,234
			Total Liabilities	16,686,017
			Equity	
			3900 · *Retained Earnings	55,207,356
			Net Income	3,139,304
			Total Equity	58,346,660
			TOTAL LIABILITIES & EQUITY	75,032,677

Desert Healthcare District
Balance Sheet
As of January 31, 2020

					Jan 31, 20
ASSETS					
Current Assets					
Checking/Savings					
1000 · CHECKING CASH ACCOUNTS					
			1010 · Union Bank - Checking		1,779,489
			1046 · Las Palmas Medical Plaza		133,898
			1047 · Petty Cash		500
Total 1000 · CHECKING CASH ACCOUNTS					1,913,887
1100 · INVESTMENT ACCOUNTS					
			1130 · Facility Replacement Fund		59,245,669
			1135 · Unrealized Gain(Loss) FRF		654,601
Total 1100 · INVESTMENT ACCOUNTS					59,900,271
Total Checking/Savings					61,814,158
Accounts Receivable					
			1201 · Accounts Receivable		
			1204 · LPMP Accounts Receivable		(13,579)
			1205 · Misc. Accounts Receivable		3,537
			1211 · A-R Foundation - Exp Allocation		54,888
Total 1201 · Accounts Receivable					44,846
Other Current Assets					
			1270 · Prepaid Insurance -Ongoing		20,910
			1279 · Pre-Paid Fees		16,479
			1281 · NEOPB Receivable		27,496
			1295 · Property Tax Receivable		265,533
Total Other Current Assets					330,418
Total Current Assets					62,189,422
Fixed Assets					
1300 · FIXED ASSETS					
			1310 · Computer Equipment		94,034
			1315 · Computer Software		68,770
			1320 · Furniture and Fixtures		33,254
			1325 · Offsite Improvements		300,849
			1331 · DRMC - Parking lot		4,416,257
Total 1300 · FIXED ASSETS					4,913,164
1335-00 · ACC DEPR					

Desert Healthcare District
Balance Sheet
As of January 31, 2020

					Jan 31, 20
				1335 · Accumulated Depreciation	(209,381)
				1336 · Acc. Software Depreciation	(68,770)
				1337 · Accum Deprec- Solar Parking Lot	(1,522,443)
				1338 · Accum Deprec - LPMP Parking Lot	(135,297)
				Total 1335-00 · ACC DEPR	(1,935,891)
				1400 · LPMP Assets	
				1401 · Building	8,705,680
				1402 · Land	2,165,300
				1403 · Tenant Improvements -New	2,212,096
				1404 · Tenant Improvements - CIP	129,550
				1406 · Building Improvements	
				1406.1 · LPMP-Replace Parking Lot	676,484
				1406 · Building Improvements - Other	1,559,534
				Total 1406 · Building Improvements	2,236,018
				1407 · Building Equipment Improvements	364,891
				1409 · Accumulated Depreciation	
				1410 · Accum. Depreciation	(7,310,388)
				1412 · T I Accumulated Dep.-New	(1,504,301)
				Total 1409 · Accumulated Depreciation	(8,814,689)
				Total 1400 · LPMP Assets	6,998,846
				Total Fixed Assets	9,976,119
				Other Assets	
				1700 · OTHER ASSETS	
				1731 · Wellness Park	1,693,800
				1740 · RPP-Deferred Outflows-Resources	1,159,189
				1741 · OPEB-Deferred Outflows-Resourc	14,147
				Total 1700 · OTHER ASSETS	2,867,136
				Total Other Assets	2,867,136
				TOTAL ASSETS	75,032,677
				LIABILITIES & EQUITY	
				Liabilities	
				Current Liabilities	
				Accounts Payable	
				2000 · Accounts Payable	50,770

Desert Healthcare District
Balance Sheet
As of January 31, 2020

					Jan 31, 20
				2001 · LPMP Accounts Payable	10,246
				Total Accounts Payable	61,016
				Other Current Liabilities	
				2002 · LPMP Property Taxes	6,538
				2131 · Grant Awards Payable	5,741,794
				2133 · Accrued Accounts Payable	142,550
				2141 · Accrued Vacation Time	29,474
				2188 · Current Portion - LTD	6,168
				2190 · Investment Fees Payable	5,244
				Total Other Current Liabilities	5,931,768
				Total Current Liabilities	5,992,784
				Long Term Liabilities	
				2170 · RPP - Pension Liability	3,465,623
				2171 · RPP-Deferred Inflows-Resources	1,643,743
				2280 · Long-Term Disability	40,626
				2281 · Grants Payable - Long-term	5,400,000
				2286 · Retirement BOD Medical Liabilit	81,280
				2290 · LPMP Security Deposits	61,962
				Total Long Term Liabilities	10,693,234
				Total Liabilities	16,686,017
				Equity	
				3900 · *Retained Earnings	55,207,356
				Net Income	3,139,304
				Total Equity	58,346,660
				TOTAL LIABILITIES & EQUITY	75,032,677

Desert Healthcare District
A/R Aging Summary
As of January 31, 2020

	Current	1 - 30	31 - 60	61 - 90	> 90	TOTAL	
Desert Family Medical Center	-	(3,570)	-	-	-	(3,570)	Prepaid
Desert Healthcare Foundation-	27,135	209	27,543	-	-	54,888	Due from Foundation
Laboratory Corporation of America	-	(4,774)	-	-	-	(4,774)	Prepaid
Mark Matthews	-	2,037	0	-	-	2,037	Director Insurance
Sovereign	750	-	750	-	-	1,500	Slow Pay
Steven Gundry, M.D.	-	(5,235)	-	-	-	(5,235)	Prepaid
TOTAL	27,885	(11,333)	28,293	-	-	44,846	

Desert Healthcare District
Deposit Detail
January 2020

Type	Date	Name	Amount
Deposit	01/02/2020		1,237,540
		Riverside County Treasurer-	(1,237,540)
TOTAL			(1,237,540)
Deposit	01/03/2020		1,749
		T-Mobile	(1,749)
TOTAL			(1,749)
Deposit	01/06/2020		56
		California Business Bureau, Inc.	(56)
TOTAL			(56)
Deposit	01/06/2020		9,481
		Riverside County Treasurer-	(9,481)
TOTAL			(9,481)
Deposit	01/07/2020		247
		Principal Financial Group	(247)
TOTAL			(247)
Deposit	01/10/2020		14,110
		Riverside County Treasurer-	(14,110)
TOTAL			(14,110)

Desert Healthcare District
Deposit Detail
January 2020

Type	Date	Name	Amount
Deposit	01/22/2020		3,000
Payment	01/22/2020	Sovereign	(1,500)
Payment	01/22/2020	Sovereign	(1,500)
TOTAL			(3,000)
Deposit	01/28/2020		967,565
		Riverside County Treasurer-	(966,820)
		Riverside County Treasurer-	(745)
TOTAL			(967,565)
		TOTAL	2,233,748

DESERT HEALTHCARE DISTRICT											
PROPERTY TAX RECEIPTS FY 2019 - 2020											
RECEIPTS - TWELVE MONTHS ENDED JUNE 30, 2020											
	FY 2018-2019 Projected/Actual						FY 2019-2020 Projected/Actual				
	Budget %	Budget \$	Act %	Actual Receipts	Variance		Budget %	Budget \$	Act %	Actual Receipts	Variance
July	2.5%	\$ 165,105	1.3%	\$ 87,106	\$ (77,998)		2.5%	\$ 168,407	0.0%	\$ -	\$ (168,407)
Aug	1.6%	\$ 105,667	1.3%	\$ 88,674	\$ (16,993)		1.6%	\$ 107,780	3.1%	\$ 207,292	\$ 99,512
Sep	2.6%	\$ 171,709	2.4%	\$ 155,626	\$ (16,083)		2.6%	\$ 175,143	0.0%	\$ -	\$ (175,143)
Oct	0.0%	\$ -	0.0%	\$ -	\$ -		0.0%	\$ -	2.4%	\$ 158,895	\$ 158,895
Nov	0.4%	\$ 26,417	0.0%	\$ -	\$ (26,417)		0.4%	\$ 26,945	0.0%	\$ -	\$ (26,945)
Dec	16.9%	\$ 1,116,106	17.8%	\$ 1,177,161	\$ 61,054		16.9%	\$ 1,138,429	18.2%	\$ 1,222,723	\$ 84,294
Jan	31.9%	\$ 2,106,733	19.7%	\$ 1,299,278	\$ (807,456)		31.9%	\$ 2,148,868	33.1%	\$ 2,228,697	\$ 79,829
Feb	0.0%	\$ -	13.9%	\$ 918,846	\$ 918,846		0.0%	\$ -	0.0%		
Mar	0.3%	\$ 19,813	0.7%	\$ 44,532	\$ 24,719		0.3%	\$ 20,209	0.0%		
Apr	5.5%	\$ 363,230	5.9%	\$ 392,745	\$ 29,515		5.5%	\$ 370,495	0.0%		
May	19.9%	\$ 1,314,232	20.3%	\$ 1,341,271	\$ 27,039		19.9%	\$ 1,340,517	0.0%		
June	18.4%	\$ 1,215,169	22.3%	\$ 1,470,000	\$ 254,830		18.4%	\$ 1,239,473	0.0%		
Total	100%	\$ 6,604,180	105.6%	\$ 6,975,238	\$ 371,058		100.00%	\$ 6,736,264	56.7%	\$ 3,817,607	\$ 52,036

Las Palmas Medical Plaza
Deposit Detail - LPMP
January 2020

Type	Date	Name	Amount
Deposit	01/02/2020		3,854
Payment	01/02/2020	Quest Diagnostics Incorporated	(3,854)
TOTAL			(3,854)
Deposit	01/06/2020		5,235
Payment	01/06/2020	Steven Gundry, M.D.	(5,235)
TOTAL			(5,235)
Deposit	01/06/2020		24,233
Payment	01/06/2020	Derakhsh Fozouni, M.D.	(5,841)
Payment	01/06/2020	Palmtree Clinical Research	(6,217)
Payment	01/06/2020	Ramy Awad, M.D.	(3,180)
Payment	01/06/2020	Aijaz Hashmi, M.D., Inc.	(2,745)
Payment	01/06/2020	Brad A. Wolfson, M.D.	(3,354)
Payment	01/06/2020	Cure Cardiovascular Consultants	(2,898)
TOTAL			(24,233)
Deposit	01/07/2020		2,918
		Cohen Musch Thomas Medical Group	(2,918)
TOTAL			(2,918)
Deposit	01/07/2020		3,543
Payment	01/07/2020	Cohen Musch Thomas Medical Group	(3,543)
TOTAL			(3,543)
Deposit	01/10/2020		50,489
Payment	01/10/2020	Peter Jamieson, M.D.	(3,001)
Payment	01/10/2020	EyeCare Services Partners Management LLC	(6,159)

Las Palmas Medical Plaza
Deposit Detail - LPMP
January 2020

Type	Date	Name	Amount
Payment	01/10/2020	Desert Regional Medical Center	(5,006)
Payment	01/10/2020	Tenet HealthSystem Desert, Inc.	(28,650)
Payment	01/10/2020	Tenet HealthSystem Desert, Inc	(5,543)
Payment	01/10/2020	Desert Oasis Healthcare Medical Group	(2,130)
TOTAL			(50,489)
Deposit	01/22/2020		4,774
Payment	01/22/2020	Laboratory Corporation of America	(4,774)
TOTAL			(4,774)
Deposit	01/22/2020		6,309
Payment	01/22/2020	Desert Family Medical Center	(3,570)
Payment	01/22/2020	Dennis Spurgin, D.C.	(2,739)
TOTAL			(6,309)
Deposit	01/24/2020		2,296
Payment	01/24/2020	Pathway Pharmaceuticals, Inc.	(2,296)
TOTAL			(2,296)
Deposit	01/24/2020		3,570
Payment	01/24/2020	Desert Family Medical Center	(3,570)
TOTAL			(3,570)
Deposit	01/27/2020		5,235
Payment	01/27/2020	Steven Gundry, M.D.	(5,235)
TOTAL			(5,235)
		Total	112,458

Desert Healthcare District
Check Register
As of January 31, 2020

Type	Date	Num	Name	Amount
1000 - CHECKING CASH ACCOUNTS				
1010 - Union Bank - Checking				
Bill Pmt -Check	01/06/2020	15785	Alejandro Espinoza-	(449)
Bill Pmt -Check	01/06/2020	15786	Coachella Valley Workforce Excellence Inc	(1,463)
Bill Pmt -Check	01/06/2020	15787	Cove Communities Senior Association	(11,205)
Bill Pmt -Check	01/06/2020	15788	Dale Barnhart	(600)
Bill Pmt -Check	01/06/2020	15789	Frazier Pest Control, Inc.	(30)
Bill Pmt -Check	01/06/2020	15790	IntelliCorp Records, Inc.	(160)
Bill Pmt -Check	01/06/2020	15791	Law Offices of Scott & Jackson	(13,388)
Bill Pmt -Check	01/06/2020	15792	Leticia De Lara - Dec 19 Stipend	(200)
Bill Pmt -Check	01/06/2020	15793	Martha's Village & Kitchen	(90,403)
Bill Pmt -Check	01/06/2020	15794	Meghan Kane	(74)
Bill Pmt -Check	01/06/2020	15795	Modern Healthcare	(774)
Bill Pmt -Check	01/06/2020	15796	Pegasus Riding Academy	(49,290)
Bill Pmt -Check	01/06/2020	15797	Principal Life Insurance Co.	(1,340)
Bill Pmt -Check	01/06/2020	15798	Ready Refresh	(50)
Bill Pmt -Check	01/06/2020	15799	Regional Access Project Foundation	(550)
Bill Pmt -Check	01/06/2020	15800	Ronald McDonald House Charities	(90,000)
Bill Pmt -Check	01/06/2020	15801	Shred-It	(99)
Bill Pmt -Check	01/06/2020	15802	So.Cal Computer Shop	(810)
Bill Pmt -Check	01/06/2020	15803	Total Compensation Systems, Inc.	(1,215)
Bill Pmt -Check	01/06/2020	15804	Zendle, Les- Dec 19 Stipend & Mileage	(419)
Check	01/07/2020	Auto Pay	Calif. Public Employees'Retirement System	(12,025)
Liability Check	01/09/2020		QuickBooks Payroll Service	(40,673)
Bill Pmt -Check	01/09/2020	15805	Palm Springs Black History Committee	(120)
Bill Pmt -Check	01/09/2020	15806	Palm Springs Black History Committee	(120)
General Journal	01/10/2020	07-02	401a payment - 1/10/20 payroll	(2,008)
General Journal	01/10/2020	07-02	457b payment - 1/10/20 payroll	(3,321)
General Journal	01/14/2020	07-03	January 2020 LTD Payment - Jena Marie Van Earl	(1,234)
Bill Pmt -Check	01/14/2020	15807	Alejandro Espinoza-	(114)
Bill Pmt -Check	01/14/2020	15808	Boyd & Associates	(108)
Bill Pmt -Check	01/14/2020	15809	Evett PerezGil-Dec 19 Mileage, Stipend, & Exp Reimb	(388)
Bill Pmt -Check	01/14/2020	15810	Image Source	(768)
Bill Pmt -Check	01/14/2020	15811	Jeff Crider	(1,190)
Bill Pmt -Check	01/14/2020	15812	Maggie Martinez	(833)
Bill Pmt -Check	01/14/2020	15813	Mangus Accountancy Group, A.P.C.	(500)
Bill Pmt -Check	01/14/2020	15814	Moss, Levy & Hartzheim LLP	(4,725)
Bill Pmt -Check	01/14/2020	15815	Palms to Pines Printing	(193)
Bill Pmt -Check	01/14/2020	15816	Tri-Star Risk Management	(2,400)

Desert Healthcare District
Check Register
As of January 31, 2020

Type	Date	Num	Name	Amount
Bill Pmt -Check	01/14/2020	15817	Verizon Wireless	(614)
Bill Pmt -Check	01/14/2020	15818	Voices for Children	(10,800)
Bill Pmt -Check	01/16/2020	15819	First Bankcard (Union Bank)	(725)
Bill Pmt -Check	01/16/2020	15820	First Bankcard (Union Bank)	(4,371)
Bill Pmt -Check	01/16/2020	15821	First Bankcard (Union Bank)	(2,774)
Bill Pmt -Check	01/21/2020	15822	So.Cal Computer Shop	(1,796)
Bill Pmt -Check	01/21/2020	15823	So.Cal Computer Shop	(840)
Check	01/22/2020	Auto Pay	Principal Financial Group-	(746)
Check	01/22/2020	Auto Pay	Principal Financial Group-	(798)
Liability Check	01/23/2020		QuickBooks Payroll Service	(39,576)
Liability Check	01/23/2020		QuickBooks Payroll Service	(979)
General Journal	01/23/2020	07-08	Record Medical Reimb - January 2020	(76)
Bill Pmt -Check	01/23/2020	15824	CoPower Employers' Benefits Alliance	(2,355)
Bill Pmt -Check	01/23/2020	15825	Karen Borja-July - Dec 19 Stipends	(1,900)
Bill Pmt -Check	01/23/2020	15826	Principal Life Insurance Co.	(1,340)
Bill Pmt -Check	01/23/2020	15827	SDRMA	(150)
Bill Pmt -Check	01/23/2020	15828	Staples Credit Plan	(602)
Bill Pmt -Check	01/23/2020	15829	State Compensation Insurance Fund	(619)
Bill Pmt -Check	01/23/2020	15830	Time Warner Cable	(242)
Bill Pmt -Check	01/23/2020	15831	Top Shop	(106)
Bill Pmt -Check	01/23/2020	15832	Tri-Star Risk Management	(480)
Bill Pmt -Check	01/23/2020	15833	UPS	(16)
Bill Pmt -Check	01/23/2020	15834	Will Dean	(16)
Bill Pmt -Check	01/23/2020	15835	Xerox Financial Services	(394)
Bill Pmt -Check	01/23/2020	15836	Zendle, Les-Medical Insurance Reimb	(7,267)
Bill Pmt -Check	01/23/2020	15837	Regents - University of California	(385)
Bill Pmt -Check	01/23/2020	15838	Rogers, Carole-Medical Insurance Reimb, Nov-Dec19 Stipend	(8,322)
General Journal	01/24/2020	07-07	401a payment - 1/24/20 payroll	(2,008)
General Journal	01/24/2020	07-07	457b payment - 1/24/20 payroll	(3,321)
Check	01/31/2020		Service Charge	(202)
TOTAL				(427,060)

Desert Healthcare District							
Details for credit card Expenditures							
Credit card purchases - December 2019 - Paid January 2020							
Number of credit cards held by District personnel -2							
Credit Card Limit - \$7,000							
Credit Card Holders:							
Conrado Bázaga - Chief Executive Officer							
Chris Christensen - Chief Administration Officer							
Routine types of charges:							
Office Supplies, Dues for membership, Computer Supplies, Meals, Travel including airlines and Hotels, Catering, Supplies for BOD meetings, CEO Discretionary for small grant & gift items							
Statement							
Year	Month Charged	Total Charges	Expense Type	Amount	Purpose	Description	Participants
Chris' Statement:		\$ 7,870.36					
2019	December	\$ 7,145.36	District GL	Dollar	Descr		
			6309	\$ 8.53	Advertising for Admin Assistant job		
			5230	\$ 790.00	Behavioral Health Care Symposium - Evett		
			6360	\$ 8.63	Conference call expense		
			6351	\$ 315.81	Hotel expense for Behavioral HC Symposium - Evett		
			6351	\$ 17.00	Hotel parking expense		
			5240	\$ 249.04	12/12/19 Program Committee Meeting food		
			6360	\$ 6.75	Conference call expense		
			6352	\$ 276.62	Staff team building		
			6352	\$ 1,370.25	Holiday party for staff & directors		
			5230	\$ 367.50	All that Jazz-Joslyn Center event - Les & Carole + 1		
			5160	\$ 122.50	All that Jazz-Joslyn Center event - Conrado		
			6355	\$ 838.80	Asana annual membership		
			5160	\$ 200.00	ACHD Registration - Conrado		
			5230	\$ 130.00	CoD's State of the College - Carole & Lety		
			6309	\$ 39.78	Advertising for Admin Assistant job		
			5230	\$ 200.00	ACHD Registration - Lety		
			5230	\$ 200.00	ACHD Registration - Karen		
			5230	\$ 200.00	ACHD Registration - Les		
			6360	\$ 199.89	CalChamber HR poster & pamphlets		
			5230	\$ 700.00	Mizell Senior Center Event - Carole + 1		
			5230	\$ 37.50	Program Committee meeting room fee		
			5230	\$ 106.96	Cesar Chavez Breakfast Celebration - Lety, Les, Evett, Carole		
			6351	\$ 360.40	Flight to ACHD Conf - Lety		
			6351	\$ 360.40	Flight to ACHD Conf - Evett		
			6310	\$ 39.00	Overlimit fee		
				\$ 7,145.36			
Conrado's Statement:							
2019	December	\$ 725.00	District GL	Dollar	Descr		
			6130	\$ 225.00	APHA Membership Fees		
			6130	\$ 500.00	APHA 1-year membership payment		
				\$ 725.00			

Las Palmas Medical Plaza
Check Register
As of January 31, 2020

Type	Date	Num	Name	Amount
1000 · CHECKING CASH ACCOUNTS				
1046 · Las Palmas Medical Plaza				
Bill Pmt -Check	01/06/2020	10114	Amtech Elevator Services	(1,365)
Bill Pmt -Check	01/06/2020	10115	Coldwell Banker Commercial Lyle & Assoc.	(4,096)
Bill Pmt -Check	01/06/2020	10116	Desert Water Agency	(368)
Bill Pmt -Check	01/06/2020	10117	Frazier Pest Control, Inc.	(500)
Bill Pmt -Check	01/06/2020	10118	Imperial Security	(1,573)
Bill Pmt -Check	01/06/2020	10119	Locks Around The Clock	(122)
Bill Pmt -Check	01/14/2020	10120	Desert Air Conditioning Inc.	(146)
Bill Pmt -Check	01/14/2020	10121	Imperial Security	(3,302)
Bill Pmt -Check	01/14/2020	10122	KC's Plumbing	(922)
Bill Pmt -Check	01/14/2020	10123	Palm Springs Disposal Services Inc	(2,227)
Bill Pmt -Check	01/23/2020	10124	Frontier Communications	(226)
Bill Pmt -Check	01/23/2020	10125	Hassan Bencheqroun, M.D. -	(18,413)
Bill Pmt -Check	01/23/2020	10126	Imperial Security	(5,270)
Bill Pmt -Check	01/23/2020	10127	INPRO-EMS Construction	(10,657)
Bill Pmt -Check	01/23/2020	10128	Southern California Edison	(566)
Bill Pmt -Check	01/23/2020	10129	Stericycle, Inc.	(2,980)
Check	01/23/2020		Service Charge	(1,207)
TOTAL				(53,940)



MEMORANDUM

DATE: February 11, 2020

TO: F&A Committee

RE: Retirement Protection Plan (RPP)

Current number of participants in Plan:

Active – still employed by hospital	107
Vested – no longer employed by hospital	62
Former employees receiving annuity	<u>7</u>
Total	<u>176</u>

The outstanding liability for the RPP is approximately **\$4.2M** (Actives - \$2.8M and Vested - \$1.4M). US Bank investment account balance \$4.9M. Per the June 30, 2019 Actuarial Valuation, the RPP has an Unfunded Pension Liability of approximately **\$3.4M**. A monthly accrual of \$10K is being recorded each month as an estimate for FY2020.

The payouts, excluding monthly annuity payments, made from the Plan for the Seven (7) months ended January 31, 2020 totaled **\$87K**. Monthly annuity payments (7 participants) total **\$1.0K** per month.

DESERT HEALTHCARE DISTRICT						
OUTSTANDING GRANTS AND GRANT PAYMENT SCHEDULE						
As of 1/31/20						
TWELVE MONTHS ENDED JUNE 30, 2020						
		Approved	Current Yr	6/30/2019	Total Paid	Open
Grant ID Nos.	Name	Grants - Prior Yrs	2019-2020	Bal Fwd/New	July-June	BALANCE
2014-MOU-BOD-11/21/13	Memo of Understanding CVAG CV Link Support	\$ 10,000,000		\$ 10,000,000	\$ -	\$ 10,000,000
2015-876-BOD-6-23-15	Arrowhead Neuroscience Fndtn-NeuroInterventional & NeuroCritical Care Fellowship 2 Yr	\$ 373,540		\$ 37,354	\$ 27,522	\$ 9,832
	Unexpended funds of Grant #876 (\$9,832.32 10% Retention)					\$ (9,832)
2016-927-BOD-12-20-16	SafeHouse of the Desert - "What's Up" Crisis Texting Application - 3 Yr	\$ 679,357		\$ 169,839	\$ 101,904	\$ 67,935
2017-938-BOD-07-25-17	Mizell Senior Center - A Matter of Balance Phase 2 - 2 Yr	\$ 400,300		\$ 40,030	\$ 2,077	\$ 37,953
	Unexpended funds of Grant #967 (\$37,953 10% Retention)				\$ -	\$ (37,953)
2018-960-BOD-02-27-18	Desert Cancer Foundation - Patient Assistance and Suzanne Jackson Breast Cancer	\$ 200,000		\$ 20,000	\$ 20,000	\$ -
2018-967-BOD-05-22-18	The City of DHS-Public Safety Emergency Response Program - Purchase AEDs	\$ 30,000		\$ 3,000	\$ 710	\$ 2,290
	Unexpended funds of Grant #967 (\$2,290.34 10% Retention)				\$ -	\$ (2,290)
2018-974-BOD-09-25-18	HARC - 2019 Coachella Valley Community Health Survey - 2 Yr	\$ 399,979		\$ 219,989	\$ 89,995	\$ 129,994
2018-980-BOD-10-23-18	Joslyn Wellness Senior Behavioral Health Services Program - 1 Yr	\$ 112,050		\$ 11,205	\$ 11,205	\$ -
2018-981-BOD-10-23-18	Desert Arc Healthcare Program - 1 Yr	\$ 164,738		\$ 16,474	\$ 16,474	\$ (0)
2018-979-BOD-11-27-18	FIND Food Bank - Healthy Food First/Pathways Out of Hunger - 1 Yr	\$ 396,345		\$ 217,989	\$ 178,356	\$ 39,633
2019-985-BOD-03-26-19	Coachella Valley Volunteers in Medicine - Primary Healthcare & Support Services - 1 Yr	\$ 121,500		\$ 66,825	\$ 54,675	\$ 12,150
2019-986-BOD-05-28-19	Ronald McDonald House Charities - Temporary Housing & Family Support Services - 1 Yr	\$ 200,000		\$ 200,000	\$ 180,000	\$ 20,000
2019-997-BOD-05-28-19	Martha's Village & Kitchen - Homeless Housing With Wrap Around Services - 1 Yr	\$ 200,896		\$ 110,493	\$ 90,403	\$ 20,090
2019-989-BOD-05-28-19	Pegasus Riding Academy - Cover the Hard Costs of Pegasus Clients - 1 Yr	\$ 109,534		\$ 60,244	\$ 49,290	\$ 10,954
2019-994-BOD-05-28-19	One Future Coachella Valley - Mental Health College & Career Pathway Development - 2 Yr	\$ 700,000		\$ 621,250	\$ 78,750	\$ 542,500
2019-995-BOD-05-28-19	One Future Coachella Valley - HCC Summer Intern at DHCD/F & FIND Food Bank	\$ 14,628		\$ 1,463	\$ 1,463	\$ -
2019-1000-BOD-05-28-19	Voices for Children - Court Appointed Special Advocate Program - 1 Yr	\$ 24,000		\$ 13,200	\$ 10,800	\$ 2,400
2019-1006-BOD-06-25-19	Desert Healthcare Foundation - Homelessness Initiative Collective Fund	\$ 1,000,000		\$ 1,000,000	\$ 1,000,000	\$ -
2019-1017-BOD-09-24-19	Jewish Family Services - Case Management Services for Homeless Prevention - 1 Yr		\$ 90,000	\$ 90,000	\$ 40,500	\$ 49,500
2019-1025-BOD-09-24-19	Desert Healthcare Foundation - Ready Set Swim - 1 Yr		\$ 200,000	\$ 200,000	\$ 200,000	\$ -
2019-1023-BOD-10-22-19	CVRM - Transportation for Seniors & Homeless Hospital Discharge Referrals - 1 Yr		\$ 216,200	\$ 216,200	\$ 48,645	\$ 167,555
2019-1021-BOD-11-26-19	Neuro Vitality Center - Community Based Adult Services Program - 6 Months		\$ 143,787	\$ 143,787	\$ 64,704	\$ 79,083
				\$ -	\$ -	\$ -
TOTAL GRANTS		\$ 15,126,867	\$ 649,987	\$ 13,459,342	\$ 2,267,472	\$ 11,141,794
Amts available/remaining for Grant/Programs - FY 2019-20:						
Amount budgeted 2019-2020			\$ 3,500,000		G/L Balance:	1/31/2020
Amount granted through June 30, 2020:			\$ (649,987)		2131	\$ 5,741,794
Mini Grants:	1009; 1015; 1019; 1016; 1039		\$ (22,508)		2281	\$ 5,400,000
Net adj - Grants not used:	967; 876; 938		\$ 50,076		Total	\$ 11,141,794
Balance available for Grants/Programs			\$ 2,877,581		Difference - Rdg	\$ 0

Desert Healthcare District Portfolio Review

Fourth Quarter 2019



DESERT HEALTHCARE
DISTRICT & FOUNDATION

Keith Stribling, CFA

HighMark Capital Management, Inc. is a subsidiary of Union Bank.

Economic and Market Commentary First Quarter 2020

Equity markets around the world saw strong 2019 gains and positive 10-year returns following the “Lost Decade” of the 2000s. Meanwhile, the “phase one” trade deal with China lowered trade tensions but left many details unanswered. With the 2020 election in view, investors began assessing potential winners and losers, particularly in the banking and energy sectors. Manufacturing activity hit a 10-year low and midwestern job growth was soft, raising the possibility that the key “swing states” of 2016 will be in play again this year.

Key Takeaways:

- U.S. and foreign data releases in the fourth quarter raised hopes that the worst of the global economic slowdown may be behind us.
- Manufacturing doldrums remain an area of concern, particularly if contagion to the consumer sector occurs.
- The Federal Reserve’s expected pause in rate adjustments allows investors to shift attention to politics and the potential impact of the 2020 election on markets.
- Strong 2019 returns for many asset classes, even as fundamentals weakened from 2018 levels, highlights the importance of avoiding short-term market timing.
- Looking ahead to the 2020s, we expect fixed income and equity returns to be lower than those recorded in the banner year of 2019.
- Geopolitical tensions from Iran to Ukraine to North Korea may lead to market volatility.

Market Overview: All Systems Go

In contrast to the third quarter’s bumpy ride, financial markets settled down in the fourth quarter as trade policy uncertainty de-escalated and fading economic data showed signs of bottoming. Reflecting an improving outlook for the global economy, yields on longer-dated Treasuries headed higher after approaching all-time lows in early September and even pushed the yield curve out of inversion. Meanwhile, global equities continued to rally on the heels of global central bank easing despite a

lackluster year for corporate earnings growth as investors anticipated a reacceleration of positive fundamental momentum heading into an election year.

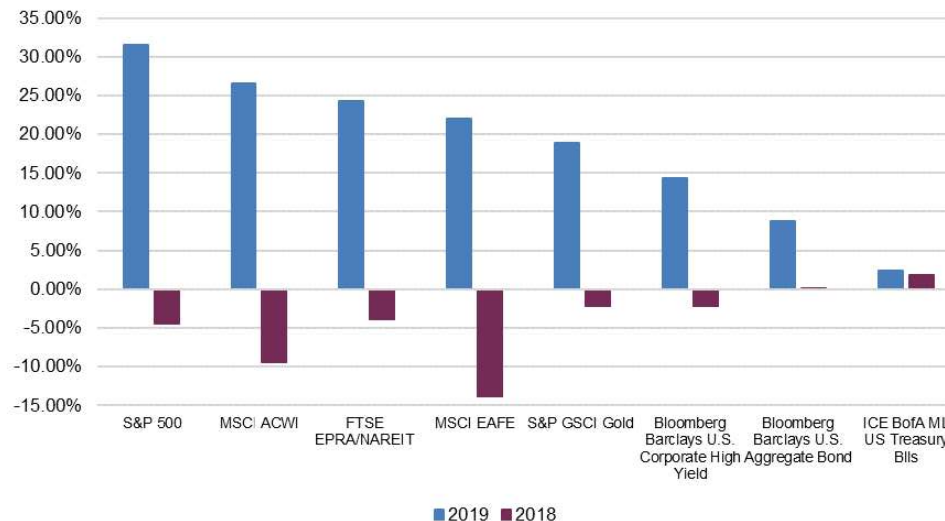
Buoyed by a confident consumer, the domestic economy remained resilient even as the rest of the world showed signs of sluggishness. A third quarter U.S. GDP reading of 2.1% handily beat consensus expectations, which had assumed ongoing trade conflicts would affect U.S. economic growth by now. Employment, the linchpin of consumer confidence, also performed better than expected with an average of 211,000 new jobs added in October and November¹ while wage growth remained healthy, yet in check. Perhaps most importantly, inflation remained subdued, providing air cover for Federal Reserve (Fed) liquidity injections that soothed fears of a monetary policy that was too tight for conditions.

The economic picture overseas was not as bright, but markets had been pricing in low expectations for some time. The data point most market observers have been keying on as the canary in the coal mine for global growth prospects, the German Purchasing Managers’ Index (PMI), appeared to hit a nadir in September at 41.7 (a level below 50 indicates contraction) after peaking at 63.3 in December of 2017. Other fourth quarter survey data also showed signs of improvement, which gave way to the optimistic view that the worst of the slowdown may be behind us.

With the view that the global economic expansion is on track yet fragile, as evidenced by the need for renewed monetary intervention, investors preferred to take risk in financial markets that had greater perceived relative safety. Within equities, U.S. large cap stocks, as represented by the S&P 500 Index (S&P 500), led global markets by a substantial margin in 2019, continuing the trend since the end of the Great Recession. In the same vein, defensive sectors continued to outperform cyclical areas of the equity market. As shown in the chart on the following page, 2019 also saw solid returns for many other asset classes versus a tepid 2018.

¹ Source: U.S. Bureau of Labor Statistics

Asset Class Performance - 2019 vs. 2018



Source: Morningstar Direct

The solid fourth quarter performance for global equities capped a strong year and a remarkable decade following the so-called “Lost Decade” of 2000 to 2010 which saw global stocks, as measured by the MSCI All Country World Index (MSCI ACWI), return less than 1% per year annualized. Coming into 2019, however, positive equity market returns were far from certain in the minds of many investors as the S&P 500 flirted with bear market territory on Christmas Eve 2018.

Santa Delivers

Fears of a global recession brought on by a hawkish Fed policy mixed with escalating trade tensions between the U.S. and China swelled in 2019. The Fed’s dovish pivot provided some relief in the form of a “mid-cycle adjustment” that ultimately included three rate cuts along with an end to balance sheet run-off (or Quantitative Tightening). Prospects of a “phase one” trade deal between the U.S. and China added to global liquidity-driven positive sentiments that further dampened recession risks. Tacking on the improving prospects of an orderly Brexit following December’s UK elections, investors received just about everything they had hoped for last year.

The 27% rally in global stocks in 2019, as measured by MSCI ACWI, capped a decade of significantly improved performance of 9% annualized for the 2010s. Much of the strong performance was attributable to the largest equity market, the U.S., where the S&P 500 compounded at 13.6% for the past 10 years.

In spite of the equity market’s renewed mojo this year, clouds on the economic horizon remain. While leading economic indicators have ticked up, manufacturing activity remains a glaring weak spot globally. Only time will tell if thawing tensions between China and the U.S., combined with loosened monetary policy, will reinvigorate the beleaguered manufacturing sector. If unsuccessful, the risk of contagion into the consumer sector will be a concern to monitor closely.

Investors will also be closely watching the domestic political landscape for signs of change. With political polarity spiking in recent years, outcomes have become more difficult to handicap. A change in the business-friendly climate in Washington may sour the optimistic mood of the markets.

Keeping these risks in mind, our base case economic backdrop for equities – one that includes a carryforward assumption of low inflation and low, yet stable growth – remains positive. However, valuations appear to be fully reflecting this positive outlook and will limit the potential for outsized returns in the years to come. A similar conclusion can be drawn for fixed income, where interest rates remain low and credit spreads are tight. Amid such conditions while looking ahead to the 2020s, investors should expect lower returns across most asset classes, while maintaining durable diversified portfolios that can withstand episodic spikes in volatility.

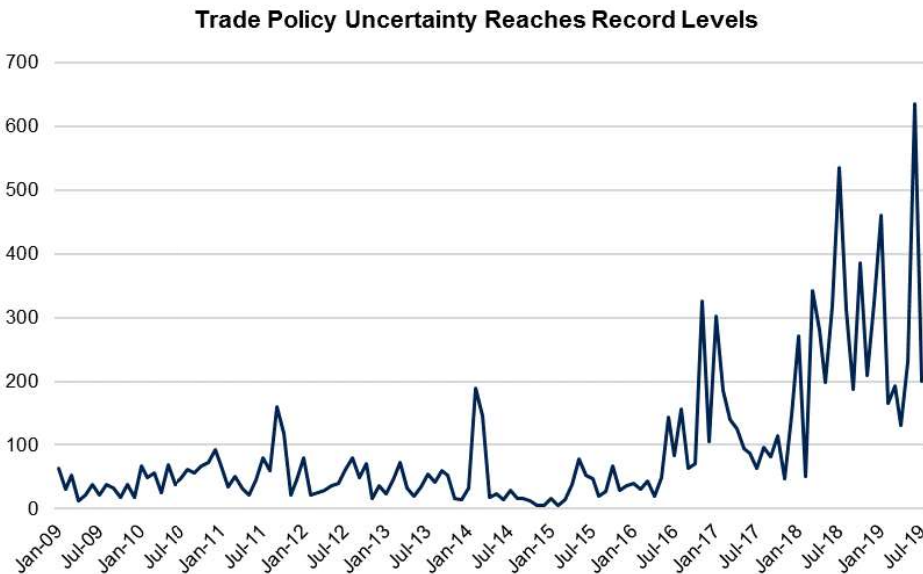
On to November: Visions of 2020

With the Fed expected to take a pause from making rate adjustments and unlikely to provide excitement in 2020, investors are beginning to pay attention to politics and the impact of the election on markets and the economy.

On the slate for November is the presidential election, as well as congressional elections for all 435 seats in the U.S. House of Representatives and 35 of the 100 senatorial seats. While the last few years have seen headlines about U.S.-China trade relations, Democratic party candidate reveals and impeachment proceedings, 2020 may be a year when voters demand that the candidates offer specific policies rather than vague wish lists.

While it is early in the election cycle, and voters may already be fatigued, most observers anticipate that if the Republican party maintains the presidency, the administration would continue to seek increased defense spending, possibly act on prior infrastructure plans, and most likely continue aggressive trade policies with China and, potentially, Europe.

If current trade policies continue with President Trump's re-election, capital expenditure and business investment spending could suffer as a result of a spike in trade tensions. As shown in the chart below, the administration's trade policies have led to significant uncertainty that is unlikely to recede.



Source: "Measuring Economic Policy Uncertainty" by Scott Baker, Nicholas Bloom and Steven J. Davis at www.PolicyUncertainty.com. Data charts the frequency of articles in U.S. newspapers that discuss policy-related economic uncertainty and also contain one or more references to trade policy.

The possibility of a Democratic administration also concerns investors because of the widely varying proposals of the Democratic hopefuls and little clarity on who the final candidate will be. The differences between tax changes proposed by, for example, candidates Sanders and Biden are dramatic, as are defense spending goals with Buttigieg planning to raise and Warren seeking to cut. That said, there are several areas where the Democratic candidates broadly agree while differing in the details:

- roll back some or all of the 2017 Tax Cut and Jobs Act;
- increase tax rates for wealthy individuals; and
- change current banking and energy policies.

Banking and energy appear at this stage of the campaign to offer the clearest expectations of the potential impact of a Democratic presidency on specific market sectors.

Glass-Steagall Redux?

Two of the candidates, Sanders and Warren, would bring back the 1933 Glass-Steagall Act which separated retail banking and investment banking. While Glass-Steagall was repealed by Democratic President Bill Clinton in 1999, lack of Glass-Steagall protection has often been cited by Democratic politicians as one cause of the Great Recession.

Forcing banks to unwind the changes they have made to balance sheets and operations over the last 20 years would almost certainly result in lower profitability for the financial sector.

The Democratic candidates also have plans for the oil patch, including ending new oil and gas leases on Federal lands, ending offshore drilling, enacting carbon taxes and, for Warren and Sanders, banning oil and gas extraction through fracking. These proposals could exacerbate current slowdowns in an energy sector already suffering from stubbornly low oil prices and a significant debt overhang.

According to Moody's Investor Services, the exploration and production sector holds some \$93 billion in debt—nearly all of it below-investment grade—that will be coming

due next year. If a fracking ban is implemented, the cash flow needed to service or refinance this debt, in addition to the already daunting task of refinancing below-investment grade paper, will be even more onerous. A fracking ban could also lead to layoffs and lost employment in the gas and oil sector.

Beyond banking and energy, the technology sector might also see increased regulatory oversight in a Democratic administration. While past administrations, in particular President Obama's, welcomed the expertise—and lobbying—of tech heavyweight companies, a Democratic winner in November may want to follow the lead of several European nations which are pursuing legislative changes, antitrust enforcement, data privacy rules, and regulatory scrutiny of multinational technology and social media firms. These tech companies, which dramatically outperformed the U.S. stock market in 2019, may see new and unwelcome domestic pressures.

Prospects for Legislative Success

Perhaps heartening to investors is the likelihood that many of the more progressive Democratic proposals would face little chance of passage in a post-election Senate with a Republican majority. Even in the unlikely event of a Democratic takeover of the Senate majority, many of the Warren-Sanders initiatives might struggle to achieve the majority of votes needed to pass.

If the Democratic party selects a moderate candidate and is successful in gaining the Presidency, a Democrat-led House of Representatives and a Republican Senate may find areas where compromise is achievable. Infrastructure spending and a solution to health care costs that continue to soar as the U.S. population ages may be two of the challenges that a divided Congress could successfully tackle.

As the decade ended, a divided and rancorous Congress found ways to work together. Even in the midst of impeachment vitriol, Republicans and Democrats were able to pass important legislation that included a North American trade agreement (USMCA), prescription drug pricing, government funding, and defense spending.

This is Now...That was Then

Asset classes across the spectrum recorded positive returns in 2019 with nearly every asset class finishing in the green. From stocks to Treasuries, corporate bonds

to REITs, investors of all persuasions recorded gains. Even Treasuries—which typically decline when risk assets such as stocks rally—ended the year with a gain of 6.8%.² What is surprising about the bumper crop of winners last year is the contrast, from a fundamentals perspective, between 2018 and 2019.

In 2018, investors should have been encouraged by corporate earnings up 20%;³ inflation-adjusted GDP growth above long-term averages at 3%; and the stimulative impacts of corporate tax cuts and deregulation of multiple industries and sectors. Yet in the midst of these buy-side signals, the S&P 500 lost 4.4% for the year. Among the suspects cited for lackluster market returns were trade tensions and Fed rate hikes.

Fast forward to 2019, where corporate earnings flatlined at 0.3% according to FactSet; GDP growth fell to long-term averages of around 2%; and some progress, but no resolution was made to trade disputes with China and Europe. In the midst of these sell-side signals, the S&P 500 rallied to fresh highs—seemingly daily as the year drew to a close—and finished 2019 up 31.5%. The Fed's dovish about-face, resulting in three rate cuts in 2019, have been key to understanding untethered animal spirits in the market. But it should be noted that the S&P 500 had already jumped nearly 20% even before the first rate cut following the Fed's July 30-31 meeting.

If there is one lesson to take away from the divergences of 2018/2019, it is that short-term market timing based on forecasting returns is a mug's game where players may regret asset allocation shifts when market returns have proven to be irregular and lumpy.

Looking Ahead

The second half of 2019 saw data releases that helped assuage investor concerns over the summer that economic recession might be on the horizon. These included a Treasury yield curve returning from the inversion brink; a pickup in residential housing starts; and consumer sentiment that, while down from earlier peaks, had yet to hit

² As measured by the Bloomberg Barclays US Government Index.

³ Source: FactSet Earnings Insight

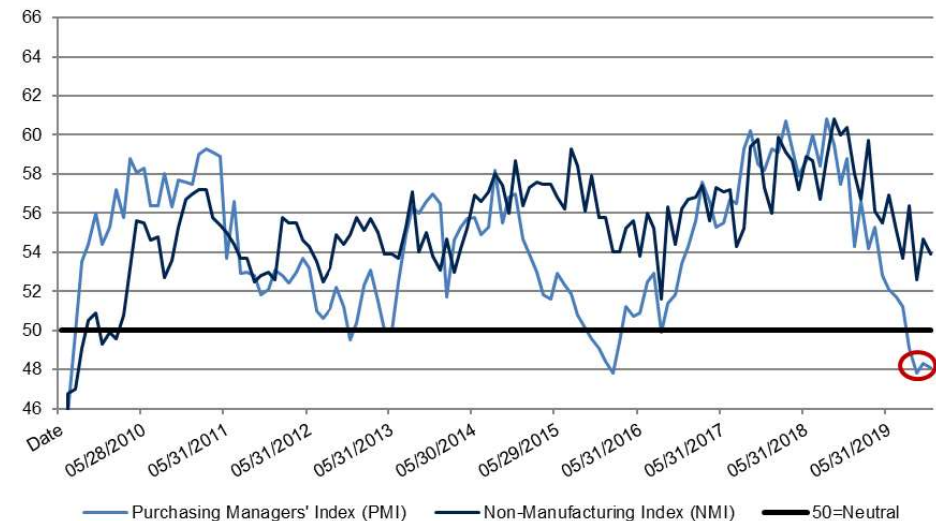
levels consistent with predicting an upcoming recession. Investors also cheered the USMCA which could add as much as 35 basis points to future GDP growth.⁴

The “phase one” deal with China was also welcomed, but more as a promising start of a period of risk reduction and a sign of a renewed willingness on both sides to work together than as a resolution of numerous outstanding issues. Hopefully, “phase two” will supply more details that investors can use to determine the impact of a trade thaw. For now, “phase one” does little to resolve ongoing corporate concerns over global supply chain management and whether to increase capital expenditures on plants and equipment.

There were a few lumps of coal left in Santa’s bag this past holiday season, including rising overseas tensions as North Korea—the Hermit Kingdom—resumes nuclear testing; potential market volatility as the impeachment process moves from the House to the Senate; and continuing recession in the U.S. manufacturing sector. As the year ended, Iran was added to the list of geopolitical hot spots.

As shown in the chart to the right, the ISM Manufacturing Index dipped below 50 in August and has remained in contraction territory ever since. Meanwhile, the equivalent service sector gauge of growth dropped recently but continues to plot firmly in expansion. The PMI gauge shows manufacturing sector health is at its lowest point since the Great Recession a decade ago. A significant area of concern for 2020 and beyond is whether the growing service sector and robust consumer spending can continue to offset manufacturing weakness.

U.S. Manufacturing Declines to Lowest Level Since End of Great Recession



Source: FactSet, ISM - Institute for Supply Management

The Fed Coasts: The Rise of Big Data

The Fed’s Federal Open Market Committee (FOMC) final meeting of 2019 in December was a rather dull affair that left rates unchanged at the current range of 1.5% to 1.75%. The Committee also signaled that after a busy 2019 that saw three rate cuts, 2020 is expected to be a quiet year with no changes to rates expected and, possibly, one hike in 2021 and a second in 2022, although Fed Chair Powell admitted after the meeting that “none of us have much of a sense of what the economy will look like in 2021.”

This quietude comes after a torrent of nine rate hikes over the last several years and might allow investors to shift their focus from Fed navel-gazing to other economic developments that impact bond and equity markets as the economy enters its 11th year of expansion and many of the summer’s recessionary warning signals fade.

⁴ Source: International Trade Commission

After the meeting, the Fed repeated its mantra that the FOMC will remain highly data-dependent before considering any moves, specifically noting that “The Committee...will take into account a wide range of information, including measures of labor market conditions, indicators of inflation pressures and inflation expectations, and readings on financial and international developments.”

A key data point in support of the FOMC’s decision to pause adjusting rates was robust jobs creation. The November jobs report released by the U.S. Bureau of Labor Statistics (BLS) saw nonfarm payrolls surging by gains of 266,000 spread across most sectors and a revision that boosted the prior two months total by a further 41,000 jobs, the largest increases since the beginning of 2019. The unemployment rate, meanwhile, dropped to 3.5%, matching its lowest level since 1969.

Through the end of November, according to the BLS, 2.2 million nonfarm jobs were added this year with the majority of the new jobs coming in services-providing sectors such as education/health services; leisure/hospitality; and professional/business services which each added an average of 500,000 jobs. The goods producing sector added a net 217,000 jobs with manufacturing employment growing by only 76,000 jobs.

Nationwide, tepid employment growth in manufacturing reflects the ongoing recession in manufacturing as, after peaking in early 2018, manufacturing job growth has fallen back to its level just after the 2016 election.⁵

Beggar thy Neighbor?

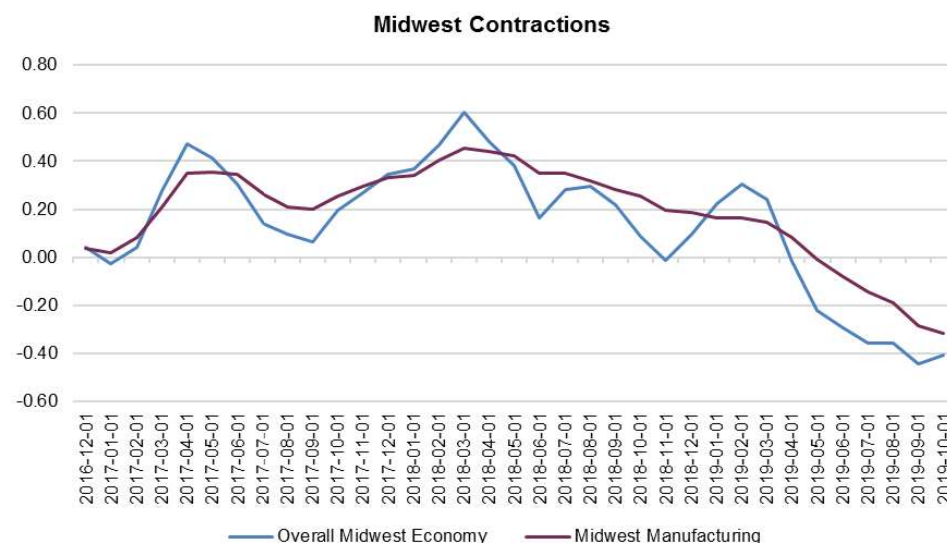
Over the last three years, job growth and unemployment declines have seen dramatic, if uneven, data releases. Behind the overall numbers the benefits have been lumpy across the 50 states.

Total employment since the 2016 election grew by an average of nearly 8% in the top five states of Arizona, Florida, Idaho, Nevada and Utah.⁶ Other states, including Texas, California, the Carolinas and Georgia, averaged around 5% growth. But

Midwestern states—heavily reliant on manufacturing and agriculture—saw tepid job growth (averaging under 2% in Minnesota, Wisconsin, Michigan and Ohio).

Job growth since the election in the manufacturing sector, while weak overall, was also strongest in other states, with 12 states recording growth in excess of 5%. Over the same period, the Midwestern swing states that were decisive in the 2016 election outcome and are likely to be just as critical in the next one, saw growth in the 1% to 2% range, with Michigan actually losing manufacturing jobs.

As shown in the chart below, over the last several months both the overall Midwestern economy and manufacturing declined to negative growth rates from their peaks in early 2018.



Source: Federal Reserve Bank of St. Louis, Federal Reserve Bank of Chicago

⁵ Source: U.S. Bureau of Labor Statistics

⁶ Source: U.S. Bureau of Labor Statistics

Charles Evans is the Chicago Federal Reserve Governor whose territory covers five midwestern states. The combined economy of these states is over 50% more concentrated in manufacturing than the nation. The five states also produce 40% of U.S. corn, soybeans and hogs.⁷ In an October speech, Governor Evans told the Peoria Economic Development Council:

“An increasing number of my business contacts—particularly those in manufacturing or ones with a large international footprint—are telling me about delayed or canceled investment projects, and a few have mentioned downsizing workforce plans. And, of course, tariffs and other possible trade disruptions pose a threat to supply chains and business relationships, prompting some firms to reevaluate these elements of their business models.”

The recent “phase one” trade announcement could help shore up farmer support for the president next year given China’s vow to purchase more agricultural products. But the manufacturing sector continues to be challenged and will prove difficult to boost through bilateral managed trade agreements. With manufacturing providing 13 million workers nationwide, many heavily concentrated in the Midwest, the president might need to convince swing state voters that he deserves another shot at delivering on his 2016 promise to reinvigorate manufacturing in the heartland.

Economic and Market Perspectives Q1 2020

For more information, speak to your relationship manager or visit us at unionbank.com/theprivatebank

Economic and Market Perspectives is a publication of HighMark Capital Management, Inc. (HighMark). This publication is for general information only and is not intended to provide specific advice to any individual or institution. Some information provided herein was obtained from third-party sources deemed to be reliable. HighMark and its affiliates make no representations or warranties with respect to the timeliness, accuracy, or completeness of this publication and bear no liability for any loss arising from its use. All forward-looking information and forecasts contained in this publication, unless otherwise noted, are the opinion of HighMark, and future market movements may differ significantly from our expectations. HighMark, an SEC-registered investment adviser, is a wholly owned subsidiary of MUFG Union Bank, N.A. (MUFG Union Bank). HighMark manages institutional separate account portfolios for a wide variety of for-profit and nonprofit organizations, public agencies, and public and private retirement plans. MUFG Union Bank, a subsidiary of MUFG Americas Holdings Corporation, provides certain services to HighMark and is compensated for these services. Past performance does not guarantee future results. Individual account management and construction will vary depending on each client's investment needs and objectives. The benchmarks referenced in this piece are used for comparative purposes only and are provided to represent the market conditions during the period(s) shown. Benchmark returns do not reflect the deduction of advisory fees, custody fees, transaction costs, or other investment expenses, but the returns assume the reinvestment of dividends and other earnings. An investor cannot invest directly in unmanaged indices. **Investments employing HighMark strategies:** • Are NOT deposits or other obligations of, or guaranteed by, the Bank or any Bank affiliate • Are NOT insured by the FDIC or any other federal government agency • Are subject to investment risks, including the possible loss of principal invested.

⁷ Source: Federal Reserve Bank of Chicago

DESERT HOSPITAL RETIREMENT PLAN

12/31/2019

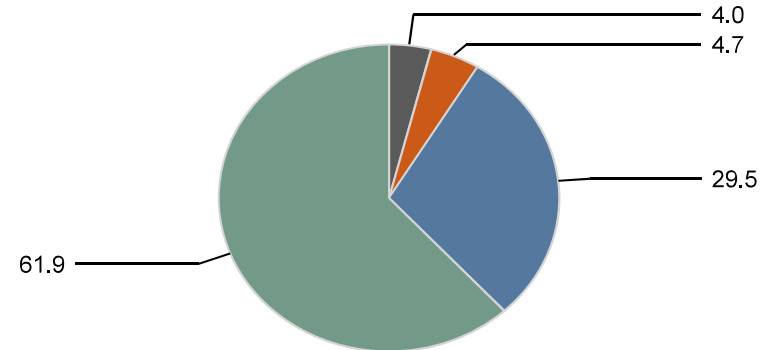
Investment Objective: DOCUMENT DIRECTED - IS
Investment Officer: KEITH STRIBLING, CFA

Reporting Period Ending: December 31, 2019

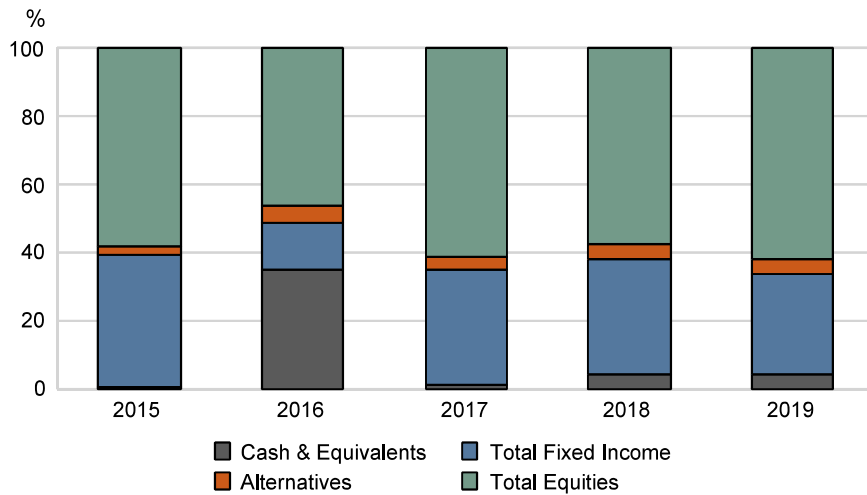
Asset Allocation Summary

Market Value by Asset Class

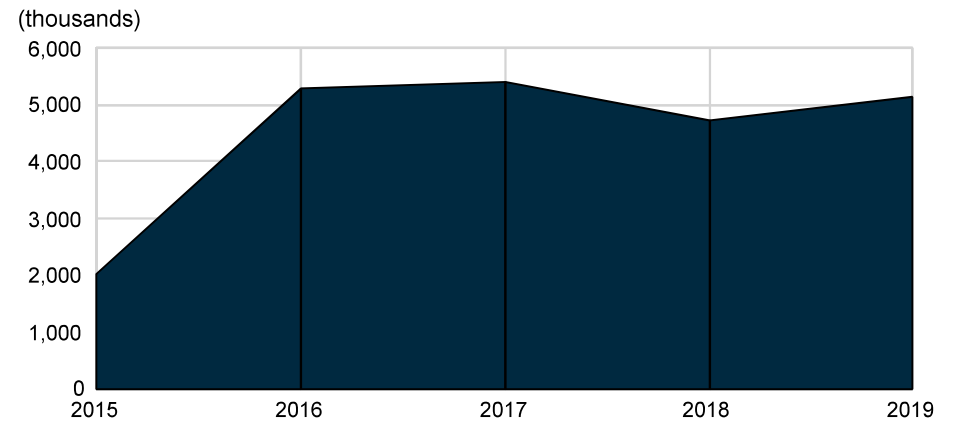
	Market Value	% of Mkt Val
Total Equities	3,186,581	61.9
Total Fixed Income	1,515,550	29.5
Alternatives	239,568	4.7
Cash & Equivalents	203,924	4.0
Total	5,145,623	100.0



Annual Allocation



Annual Ending Market Values



Reporting Period Ending: December 31, 2019

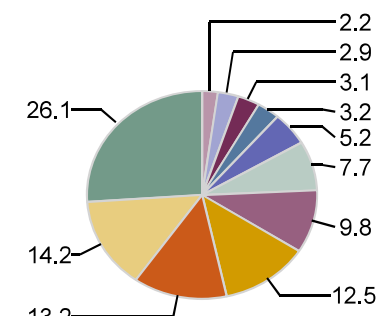
Portfolio Analytics

Largest 10 Holdings - YTD Return

	Market Value	% of Mkt Val	Return
ISHARES S&P 500 VALUE ETF	422,142	8.2	31.60
ISHARES S&P 500 GROWTH ET	328,220	6.4	30.74
VANGUARD FTSE DEVELOPED M	297,581	5.8	6.48
VANGUARD INDEX FUNDS S&P	233,682	4.5	31.36
SCHWAB STRATEGIC TR	233,502	4.5	31.19
FIRST AMERN GOVT OBLIG FD	203,995	4.0	2.08
ISHARES RUSSELL 2000 ETF	162,191	3.2	25.41
ISHARES MSCI EAFE VALUE E	160,525	3.1	15.80
ISHARES RUSSELL 2000 GROW	153,167	3.0	28.48
ISHARES RUSSELL 2000 VALU	153,139	3.0	22.07

Equity Holdings Analysis - Individual Holdings

	% of Mkt Val
Information Tech.	26.1
Financials	14.2
Communication Servic	13.2
Health Care	12.5
Industrials	9.8
Consumer Disc.	7.7
Energy	5.2
Real Estate	3.2
Consumer Staples	3.1
Utilities	2.9
Materials	2.2
Total	100.0



Top 10 Performers YTD

	Market Value	% of Mkt Val	Return
APPLIED MATLS INC	8,668	.2	89.76
APPLE INC COM	32,302	.6	88.68
MASTERCARD INC-A	10,749	.2	59.11
CITIGROUP INC COM	10,066	.2	57.97
MICROSOFT CORP	32,329	.6	57.46
FACEBOOK INC CL A	10,263	.2	56.63
APTIV PLC COM	5,508	.1	55.94
EQUIFAX INC	4,484	.1	52.24
AMERICAN TOWER CORP	10,849	.2	47.83
JPMORGAN CHASE & CO	14,916	.3	46.95

Bottom 10 Performers YTD

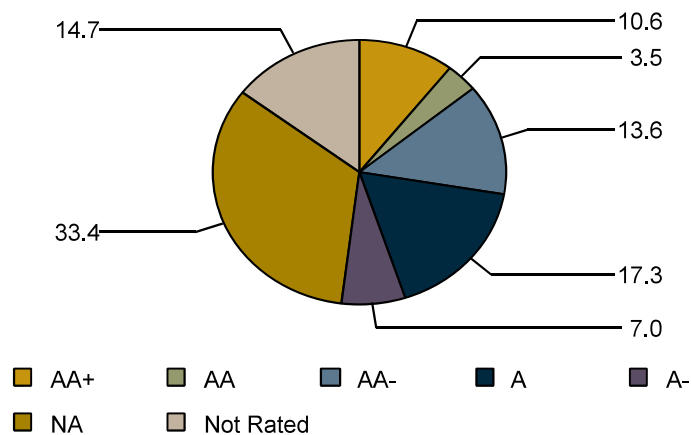
	Market Value	% of Mkt Val	Return
OCCIDENTAL PETE CORP	1,428	.0	-28.31
CONCHO RES INC	1,751	.0	-14.33
HALLIBURTON CO	2,716	.1	-5.08
UNILEVER N V	5,746	.1	-4.30
ALCON INC ORD SHS	2,829	.1	-4.05
EOG RES INC	5,193	.1	-2.80
ORACLE CORP	2,649	.1	-2.04
REGENERON PHARMACEUTICALS	4,506	.1	-.38
ISHARES MBS ETF	25,178	.5	.20
BLACKROCK STRAT INC OPPS	24,703	.5	1.14

Reporting Period Ending: December 31, 2019

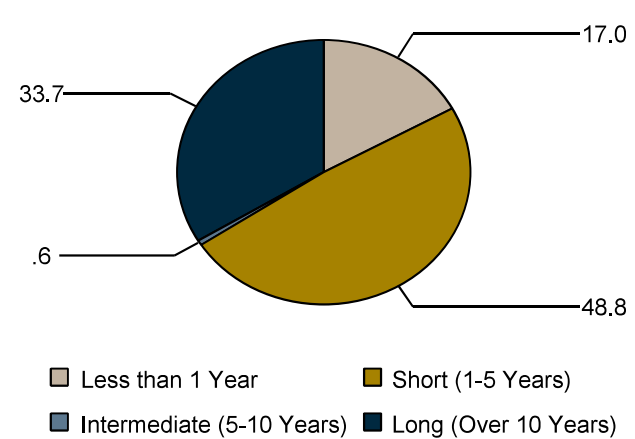
Fixed Income Analysis - Individual Holdings

	12/31/2019	09/30/2019	12/31/2018	12/31/2017	12/31/2016
Duration	7.13	7.43	7.72	8.33	5.89
Coupon	3.14	3.14	3.09	3.13	2.75
Yield to Maturity	2.30	2.36	3.15	2.69	2.32
Maturity	9.74	10.16	10.68	11.57	7.37
Current Yield	3.02	3.02	3.08	3.04	2.68
Face Amount	1,430,554	1,449,840	1,606,876	1,788,872	567,895
Market Value	1,482,348	1,501,851	1,609,729	1,832,668	577,343
Cost	1,475,161	1,495,126	1,655,946	1,846,409	586,681

Quality Allocation by Market Value

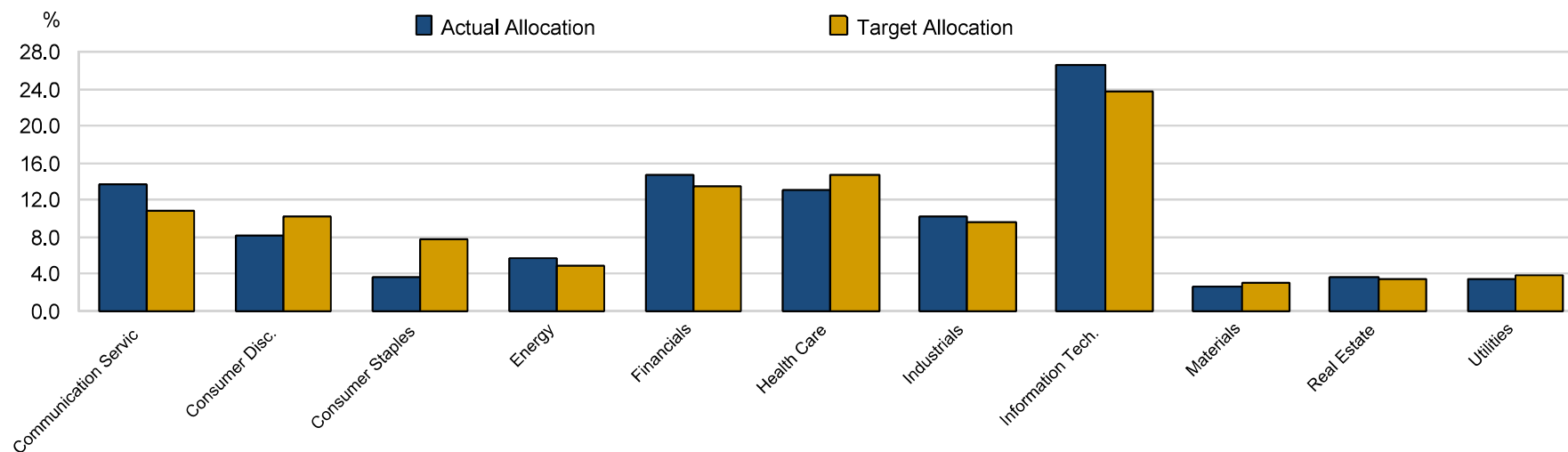


Maturity Allocation by Market Value



Reporting Period Ending: December 31, 2019

Equity Sector Allocation vs. SP500 Target



	Market Value	Actual Allocation	Target Allocation	Variance
Communication Services	57,793	13.2	10.4	2.8
Consumer Disc.	33,591	7.7	9.8	-2.1
Consumer Staples	13,791	3.1	7.2	-4.1
Energy	22,912	5.2	4.4	.9
Financials	62,270	14.2	13.0	1.2
Health Care	55,071	12.6	14.2	-1.7
Industrials	43,073	9.8	9.1	.8
Information Tech.	114,478	26.1	23.2	2.9
Materials	9,508	2.2	2.7	-.5
Real Estate	13,869	3.2	2.9	.2
Utilities	12,631	2.9	3.3	-.4
Total Common Stock	438,988	100.0	100.0	.0

As of: December 31, 2019

Performance Report

	Market Value	3 Months	1 Year	3 Years	5 Years	10 Years	20 Years	Inception to Date 05/01/1998
Cash Equivalents	203,995	.40	2.08	1.51	.96	.50	1.68	1.93
Lipper Money Market Funds Index		.38	1.98	1.42	.88	.44	1.56	1.81
Total Fixed Income	1,515,550	.74	6.31	3.27	2.48	2.43	4.00	3.99
BBG Barclays US Aggregate Bd Index (USD)		.18	8.72	4.03	3.05	3.75	5.03	4.90
Alternatives	239,568	5.13	15.29	5.85	5.21			
Wilshire Liquid Alternative Index		1.55	6.66	2.38	1.18	1.94	2.70	
Total Equities	3,186,581	8.87	27.73	12.15	9.06	10.75	5.48	6.64
MSCI AC World Index (Net)		8.95	26.60	12.44	8.41	8.79	4.52	
MSCI EAFE Index (Net)		8.17	22.01	9.56	5.67	5.50	3.32	4.38
MSCI EM Free Index (Net USD)		11.84	18.42	11.57	5.61	3.68	6.69	
Russell 2000 Index (USD)		9.94	25.53	8.59	8.23	11.83	7.59	7.31
Russell Midcap Index		7.06	30.54	12.06	9.33	13.19	9.01	9.08
S&P 500 Composite Index		9.07	31.49	15.27	11.70	13.56	6.06	7.06
65% S&P 500/ 15% Russell 2000/ 20% MSCI EAFE		9.03	28.70	13.18	10.04	11.75	5.86	
Total Managed Portfolio	5,145,623	5.85	18.96	8.57	6.61	7.54	4.93	5.69
Total Account Net of Fees	5,145,623	5.68	18.18	7.85	5.89	6.81	4.22	4.99

As of: December 31, 2019

Holdings Report w/ Yield and Income

	Ticker	Units	Unit Cost	Total Cost	Price	Market Value	Weight	Unit Income	Annual Income	Current Yield
Alternatives										
Global Macro										
EATON VANCE GLBL MACRO ABS R6 #1072	EGRSX	9,688.132	10.04	97,308.37	10.47	101,434.74	2.0	.45	4,311.22	4.250
WESTERN ASSET MAC OPP IS FD #5102	LAOSX	10,200.576	10.53	107,387.80	11.12	113,430.41	2.2	.61	6,171.35	5.441
Total for Global Macro				204,696.17		214,865.15	4.2		10,482.57	4.879
Unconstrained Fixed Income										
BLACKROCK STRAT INC OPPTS CL K #1944	BSIKX	2,475.238	9.90	24,508.52	9.98	24,702.88	.5	.35	861.38	3.487
Total for Unconstrained Fixed Income				24,508.52		24,702.88	.5		861.38	3.487
Total: Alternatives				229,204.69		239,568.03	4.7		11,343.95	4.735
Cash										
Cash										
Cash/Pending Trade		-70.950	1.00	-70.95	1.00	-70.95	.0	.00	.00	.000
Total for Cash				-70.95		-70.95	.0		.00	.000
Total: Cash				-70.95		-70.95	.0		.00	.000
Total Equities										
Communi Services - Dom CS										
ALPHABET INC CAP STK CL A	GOOGL	15.000	770.55	11,558.30	1,339.39	20,090.85	.4	.00	.00	.000
COMCAST CORP-CL A	CMCSA	133.000	33.52	4,458.18	44.97	5,981.01	.1	.84	111.72	1.868
DISNEY (WALT) COMPANY HOLDING CO	DIS	60.000	115.21	6,912.33	144.63	8,730.60	.2	1.76	105.60	1.217
ELECTRONIC ARTS INC COMMON	EA	47.000	81.02	3,807.71	107.51	5,052.97	.1	.00	.00	.000
FACEBOOK INC CL A	FB	50.000	117.53	5,876.31	205.25	10,262.50	.2	.00	.00	.000
VERIZON COMMUNICATIONS	VZ	125.000	52.52	6,565.44	61.40	7,675.00	.1	2.46	307.50	4.007
Total for Communi Services - Dom CS				39,178.27		57,792.93	1.1		524.82	.909

As of: December 31, 2019

Holdings Report w/ Yield and Income

	Ticker	Units	Unit Cost	Total Cost	Price	Market Value	Weight	Unit Income	Annual Income	Current Yield
Con Discretionary - Dom CS										
	AMZN	5.000	1,627.28	8,136.41	1,847.84	9,239.20	.2	.00	.00	.000
	DLTR	60.000	79.79	4,787.22	94.05	5,643.00	.1	.00	.00	.000
	LOW	54.000	66.58	3,595.48	119.76	6,467.04	.1	2.20	118.80	1.837
	ORLY	10.000	294.52	2,945.16	438.26	4,382.60	.1	.00	.00	.000
	PVH	37.000	88.20	3,263.26	105.15	3,890.55	.1	.15	5.55	.143
	TJX	65.000	37.62	2,445.46	61.06	3,968.90	.1	.92	59.80	1.507
Total for Con Discretionary - Dom CS				25,172.99		33,591.29	.7		184.15	.548
Con Staples - Dom CS										
	COST	21.000	159.48	3,349.03	293.92	6,172.32	.1	2.60	54.60	.885
	PG	61.000	89.01	5,429.83	124.90	7,618.90	.1	2.98	182.02	2.389
Total for Con Staples - Dom CS				8,778.86		13,791.22	.3		236.62	1.716
Emerging Market Funds										
	EEM	1,162.000	36.99	42,985.59	44.87	52,138.94	1.0	.97	1,131.79	2.171
	VWO	1,180.000	41.63	49,117.50	44.47	52,474.60	1.0	1.44	1,696.84	3.234
Total for Emerging Market Funds				92,103.09		104,613.54	2.0		2,828.63	2.704
Energy - Dom CS										
	CVX	75.000	112.12	8,409.19	120.51	9,038.25	.2	4.76	357.00	3.950
	CXO	20.000	122.80	2,455.96	87.57	1,751.40	.0	.50	10.00	.571
	EOG	62.000	92.73	5,749.23	83.76	5,193.12	.1	1.15	71.30	1.373
	HAL	111.000	48.41	5,373.97	24.47	2,716.17	.1	.72	79.92	2.942
	OXY	34.000	74.62	2,537.24	41.21	1,428.00	.0	3.16	107.44	7.668
	PSX	25.000	84.72	2,118.04	111.41	2,785.25	.1	3.60	90.00	3.231
Total for Energy - Dom CS				26,643.63		22,912.19	.4		715.66	3.127
Financials - Domestic CS										
	AIG	50.000	61.89	3,094.46	51.33	2,566.50	.0	1.28	64.00	2.494

As of: December 31, 2019

Holdings Report w/ Yield and Income

	Ticker	Units	Unit Cost	Total Cost	Price	Market Value	Weight	Unit Income	Annual Income	Current Yield
BERKSHIRE HATHAWAY B	BRK.B	39.000	198.05	7,723.76	226.50	8,833.50	.2	.00	.00	.000
CITIGROUP INC COM	C	126.000	53.30	6,715.95	79.89	10,066.14	.2	2.04	257.04	2.554
E TRADE FIN CORP COM	ETFC	100.000	43.39	4,339.03	45.37	4,537.00	.1	.56	56.00	1.234
GOLDMAN SACHS GROUP INC	GS	20.000	172.48	3,449.50	229.93	4,598.60	.1	5.00	100.00	2.175
HARTFORD FINL SVCS GROUP INC	HIG	50.000	54.91	2,745.25	60.77	3,053.50	.1	1.20	60.00	1.975
JPMORGAN CHASE & CO	JPM	107.000	92.55	9,902.79	139.40	14,915.80	.3	3.60	385.20	2.582
PNC FINANCIAL SERVICES GROUP	PNC	45.000	122.06	5,492.63	159.63	7,183.35	.1	4.60	207.00	2.882
SCHWAB CHARLES CORP NEW	SCHW	137.000	37.37	5,119.07	47.56	6,515.72	.1	.68	93.16	1.430
Total for Financials - Domestic CS				48,582.44		62,270.11	1.2		1,222.40	1.964
Foreign Large Blended Funds										
ISHARES TR HDG MSCI EAFE	HEFA	3,250.000	26.06	84,686.44	30.52	99,173.75	1.9	.97	3,149.25	3.175
VANGUARD FTSE DEVELOPED MARKETS ETF	VEA	6,754.000	41.79	282,249.66	44.06	297,581.24	5.8	1.34	9,050.36	3.041
Total for Foreign Large Blended Funds				366,936.10		396,754.99	7.7		12,199.61	3.075
Foreign Large Growth Funds										
ISHARES MSCI EAFE GROWTH ETF	EFG	1,415.000	66.43	94,000.31	86.47	122,355.05	2.4	1.46	2,067.32	1.690
Total for Foreign Large Growth Funds				94,000.31		122,355.05	2.4		2,067.32	1.690
Foreign Large Value Funds										
ISHARES MSCI EAFE VALUE ETF	EFV	3,215.000	50.60	162,673.13	49.93	160,524.95	3.1	2.31	7,420.22	4.622
Total for Foreign Large Value Funds				162,673.13		160,524.95	3.1		7,420.22	4.622
Health Care - Dom CS										
ABBOTT LABS COM	ABT	75.000	45.64	3,423.03	86.86	6,514.50	.1	1.44	108.00	1.658
ANTHEM INC COM	ANTM	15.000	258.28	3,874.13	302.03	4,530.45	.1	3.20	48.00	1.059
BAXTER INTL INC COM	BAX	20.000	42.93	858.50	83.62	1,676.80	.0	.88	17.60	1.052
BRISTOL MYERS SQUIBB CO	BMJ	178.000	57.79	10,286.78	64.19	11,425.82	.2	1.80	320.40	2.804
GILEAD SCIENCES INC	GILD	50.000	81.05	4,052.48	64.98	3,249.00	.1	2.52	126.00	3.878
ILLUMINA INC	ILMN	12.000	301.70	3,620.45	331.74	3,980.88	.1	.00	.00	.000
LILLY ELI & CO	LLY	50.000	111.41	5,570.25	131.43	6,571.50	.1	2.96	148.00	2.252

As of: December 31, 2019

Holdings Report w/ Yield and Income

	Ticker	Units	Unit Cost	Total Cost	Price	Market Value	Weight	Unit Income	Annual Income	Current Yield
MERCK & CO COM COM	MRK	95.000	57.14	5,428.42	90.95	8,698.20	.2	2.44	231.80	2.683
PFIZER INC	PFE	100.000	36.79	3,679.00	39.18	3,918.00	.1	1.52	152.00	3.880
REGENERON PHARMACEUTICALS INC	REGN	12.000	328.74	3,944.85	375.48	4,505.76	.1	.00	.00	.000
Total for Health Care - Dom CS				44,737.89		55,070.91	1.1		1,151.80	2.094
Industrials - Domestic CS										
BOEING CO	BA	10.000	331.10	3,310.97	325.76	3,257.60	.1	8.22	82.20	2.523
EQUIFAX INC	EFX	32.000	115.73	3,703.39	140.12	4,483.84	.1	1.56	49.92	1.113
FORTIVE CORP COM	FTV	71.000	51.68	3,669.53	76.39	5,423.69	.1	.28	19.88	.367
HONEYWELL INTL INC	HON	42.000	130.15	5,466.40	177.00	7,434.00	.1	3.60	151.20	2.034
HUNT J B TRANS SVCS INC	JBHT	42.000	90.83	3,814.85	116.78	4,904.76	.1	1.04	43.68	.891
NORTHROP GRUMMAN CORP	NOC	20.000	245.51	4,910.16	343.97	6,879.40	.1	5.28	105.60	1.535
ROCKWELL AUTOMATION, INC. COMMON STO	ROK	15.000	154.90	2,323.51	202.67	3,040.05	.1	4.08	61.20	2.013
UNITED PARCEL SERVICE CL B	UPS	50.000	110.74	5,537.13	117.06	5,853.00	.1	3.84	192.00	3.280
UNITED TECHNOLOGIES CORP	UTX	12.000	130.06	1,560.66	149.76	1,797.12	.0	2.94	35.28	1.963
Total for Industrials - Domestic CS				34,296.60		43,073.46	.8		740.96	1.720
Info Tech - Domestic CS										
ADOBE INC	ADBE	12.000	94.73	1,136.70	329.81	3,957.72	.1	.00	.00	.000
ANALOG DEVICES INC	ADI	56.000	70.48	3,947.01	118.84	6,655.04	.1	2.16	120.96	1.818
APPLE INC COM	AAPL	110.000	104.54	11,498.85	293.65	32,301.50	.6	3.08	338.80	1.049
APPLIED MATLS INC	AMAT	142.000	28.36	4,026.54	61.04	8,667.68	.2	.84	119.28	1.376
CISCO SYS INC	CSCO	251.000	30.47	7,649.03	47.96	12,037.96	.2	1.40	351.40	2.919
MASTERCARD INC-A	MA	36.000	98.83	3,557.84	298.59	10,749.24	.2	1.60	57.60	.536
MICROSOFT CORP	MSFT	205.000	55.69	11,416.11	157.70	32,328.50	.6	2.04	418.20	1.294
ORACLE CORP	ORCL	50.000	54.09	2,704.25	52.98	2,649.00	.1	.96	48.00	1.812
TEXAS INSTRS INC	TXN	40.000	74.44	2,977.44	128.29	5,131.60	.1	3.60	144.00	2.806
Total for Info Tech - Domestic CS				48,913.77		114,478.24	2.2		1,598.24	1.396
Intl CS - Non-ADRs										
UNILEVER N V	UN	100.000	60.52	6,051.50	57.46	5,746.00	.1	1.54	154.40	2.687

As of: December 31, 2019

Holdings Report w/ Yield and Income

	Ticker	Units	Unit Cost	Total Cost	Price	Market Value	Weight	Unit Income	Annual Income	Current Yield
ALLERGAN PLC SHS	AGN	30.000	208.54	6,256.29	191.17	5,735.10	.1	2.96	88.80	1.548
LINDE PLC COM	LIN	42.000	132.97	5,584.53	212.90	8,941.80	.2	3.50	147.00	1.644
MEDTRONIC PLC SHS	MDT	89.000	79.27	7,055.03	113.45	10,097.05	.2	2.16	192.24	1.904
APTIV PLC COM	APTV	58.000	77.91	4,518.77	94.97	5,508.26	.1	.88	51.04	.927
ALCON INC ORD SHS	ALC	50.000	58.96	2,947.75	56.57	2,828.50	.1	.00	.00	.000
ROYAL CARIBBEAN CRUISES LTD	RCL	30.000	80.14	2,404.16	133.51	4,028.70	.1	3.12	93.60	2.337
Total for Intl CS - Non-ADRs				34,818.03		42,885.41	.8		727.08	1.696
Large-Cap Blended Funds										
SCHWAB STRATEGIC TR	SCHX	3,040.000	56.82	172,740.52	76.81	233,502.40	4.5	1.40	4,256.00	1.823
VANGUARD INDEX FUNDS S&P 500 ETF SHS	VOO	790.000	218.88	172,918.69	295.80	233,682.00	4.5	5.57	4,401.09	1.883
Total for Large-Cap Blended Funds				345,659.21		467,184.40	9.1		8,657.09	1.853
Large-Cap Growth Funds										
ISHARES S&P 500 GROWTH ETF	IVW	1,695.000	117.81	199,692.91	193.64	328,219.80	6.4	2.65	4,486.67	1.367
Total for Large-Cap Growth Funds				199,692.91		328,219.80	6.4		4,486.67	1.367
Large-Cap Value Funds										
ISHARES S&P 500 VALUE ETF	IVE	3,245.000	93.76	304,244.26	130.09	422,142.05	8.2	2.74	8,897.79	2.108
Total for Large-Cap Value Funds				304,244.26		422,142.05	8.2		8,897.79	2.108
Materials - Domestic CS										
DOW INC	DOW	50.000	47.93	2,396.25	54.73	2,736.50	.1	2.80	140.00	5.116
ECOLAB INC	ECL	35.000	113.79	3,982.63	192.99	6,771.10	.1	1.88	65.80	.974
Total for Materials - Domestic CS				6,378.88		9,507.60	.2		205.80	2.168
Mid-Cap Growth Funds										
ISHARES RUS MID-CAP GRW ETF	IWP	773.000	88.04	68,054.48	152.58	117,944.34	2.3	.91	701.88	.595
Total for Mid-Cap Growth Funds				68,054.48		117,944.34	2.3		701.88	.595
Mid-Cap Value Funds										

As of: December 31, 2019

Holdings Report w/ Yield and Income

	Ticker	Units	Unit Cost	Total Cost	Price	Market Value	Weight	Unit Income	Annual Income	Current Yield
ISHARES RUS MID-CAP VALUE										
	IWS	1,229.000	72.82	89,498.36	94.77	116,472.33	2.3	1.86	2,288.40	1.965
Total for Mid-Cap Value Funds				89,498.36		116,472.33	2.3		2,288.40	1.965
Real Estate - Dom CS										
AMERICAN TOWER CORP										
	AMT	47.000	101.75	4,782.19	229.82	10,849.01	.2	3.78	177.66	1.645
WEYERHAEUSER CO COM										
	WY	100.000	25.43	2,542.50	30.20	3,020.00	.1	1.36	136.00	4.503
Total for Real Estate - Dom CS				7,324.69		13,869.01	.3		313.66	2.269
Small-Cap Blended Funds										
ISHARES RUSSELL 2000 ETF										
	IWM	979.000	122.97	120,390.12	165.67	162,190.93	3.2	2.09	2,042.19	1.259
Total for Small-Cap Blended Funds				120,390.12		162,190.93	3.2		2,042.19	1.259
Small-Cap Growth Funds										
ISHARES RUSSELL 2000 GROWTH ETF										
	IWO	715.000	168.51	120,488.17	214.22	153,167.30	3.0	1.52	1,086.09	.709
Total for Small-Cap Growth Funds				120,488.17		153,167.30	3.0		1,086.09	.709
Small-Cap Value Funds										
ISHARES RUSSELL 2000 VALUE ETF										
	IWN	1,191.000	117.63	140,100.98	128.58	153,138.78	3.0	2.47	2,942.96	1.922
Total for Small-Cap Value Funds				140,100.98		153,138.78	3.0		2,942.96	1.922
Utilities-Dom Common Stock										
EDISON INTL										
	EIX	63.000	71.14	4,481.95	75.41	4,790.99	.1	2.55	160.65	3.382
WEC ENERGY GROUP INC COM										
	WEC	85.000	58.60	4,981.24	92.23	7,839.55	.2	2.53	215.05	2.743
Total for Utilities-Dom Common Stock				9,463.19		12,630.54	.2		375.70	2.984
Total: Total Equities				2,438,130.36		3,186,581.37	61.9		63,615.74	1.997
Total Fixed Income										
Taxable FX- US Govt Agcy										
FHLMC NTS 2.375% 1/13/22										
	FN22322	50,000.000	105.66	52,830.60	101.54	51,325.17	1.0	2.38	1,187.50	2.339
Total for Taxable FX- US Govt Agcy				52,830.60		51,325.17	1.0		1,187.50	2.339

As of: December 31, 2019

Holdings Report w/ Yield and Income

	Ticker	Units	Unit Cost	Total Cost	Price	Market Value	Weight	Unit Income	Annual Income	Current Yield
Taxable Fixed - Corporates										
ALABAMA PWR NTS 3.375% 10/01/20	APN3320	50,000.000	105.92	52,960.50	100.88	50,861.88	1.0	3.38	1,687.50	3.346
ALPHABET INC 3.375% 2/25/24		100,000.000	103.68	103,675.00	106.38	107,556.25	2.1	3.38	3,375.00	3.173
BERKSHIRE HATH FIN 3.000% 5/15/22	BH33022	50,000.000	104.53	52,264.50	102.74	51,561.67	1.0	3.00	1,500.00	2.920
CISCO SYS NTS 2.450% 6/15/20	CSN2420	100,000.000	101.52	101,522.00	100.30	100,404.89	2.0	2.45	2,450.00	2.443
COLGATE PALMOLIVE CO 2.950% 11/01/20	CL20	100,000.000	103.10	103,095.00	100.97	101,457.67	2.0	2.95	2,950.00	2.922
DISNEY WALT CO MTNS 2.300% 2/12/21	DWC2321	50,000.000	103.43	51,716.50	100.66	50,774.53	1.0	2.30	1,150.00	2.285
IBM CORP 3.375% 8/01/23	IC00323	100,000.000	103.56	103,559.00	104.73	106,139.25	2.1	3.38	3,375.00	3.222
PRAXAIR INC	PX23	50,000.000	101.99	50,994.00	102.14	51,556.50	1.0	2.70	1,350.00	2.643
WELLS FARGO NTS 3.500% 3/08/22	WFN3512	100,000.000	102.96	102,964.00	103.27	104,369.61	2.0	3.50	3,500.00	3.389
Total for Taxable Fixed - Corporates				722,750.50		724,682.25	14.1		21,337.50	2.968
Taxable Fixed - Mortgages										
FGLMC G07029 4.000% 6/01/42	G07029F	64,165.710	106.20	68,145.99	107.20	68,785.00	1.3	4.00	2,566.63	3.731
FGLMC #C04305 3.000% 11/01/42	C04305F	50,004.340	104.36	52,184.24	103.08	51,668.48	1.0	3.00	1,500.13	2.910
FGLMC #C18024 5.500% 11/01/28	C18024F	1,201.060	103.75	1,246.10	107.63	1,298.15	.0	5.50	66.06	5.110
FGLMC #Q19470 3.000% 6/01/43	Q19470F	74,572.580	100.64	75,050.33	103.05	77,033.47	1.5	3.00	2,237.18	2.911
FGLMC #G60344 4.000% 12/01/45	G60344F	64,947.750	105.62	68,601.05	107.54	70,062.60	1.4	4.00	2,597.91	3.719
FNMA AL7945 3.50000% 1/1/2046	AL7945A	75,386.580	103.67	78,154.69	106.47	80,260.32	1.6	3.50	2,638.53	3.287
FNMA AS6340 3.5000% 12/1/2045	AS6340A	65,451.360	102.63	67,174.56	105.36	68,956.28	1.3	3.50	2,290.80	3.322
FNMA AU3742 3.5000% 8/1/2043	AU3742A	65,254.680	102.45	66,855.48	105.41	68,784.96	1.3	3.50	2,283.91	3.320
FNMA 995672 4.500% 4/01/39	995672A	9,339.100	101.70	9,498.18	108.44	10,161.87	.2	4.50	420.26	4.150
GNMA II #2629 6.000% 8/20/28	002629M	2,252.830	99.69	2,245.79	109.88	2,486.58	.0	6.00	135.17	5.461
GNMA II #003389 5.000% 5/20/33	003389M	3,341.580	103.75	3,466.88	110.00	3,689.59	.1	5.00	167.08	4.546
GNMA #474804 6.500% 9/15/28	474804X	1,572.130	101.19	1,590.80	110.31	1,742.77	.0	6.50	102.19	5.892
GNMA #780912 6.500% 11/15/28	780912X	1,766.010	101.97	1,800.79	112.37	1,994.04	.0	6.50	114.79	5.784
GNMA #781057 5.500% 6/15/29	781057X	1,298.620	100.38	1,303.50	108.29	1,412.25	.0	5.50	71.42	5.079
Total for Taxable Fixed - Mortgages				497,318.38		508,336.36	9.9		17,192.06	3.386
Taxable Fixed - US Treas										

As of: December 31, 2019

Holdings Report w/ Yield and Income

	Ticker	Units	Unit Cost	Total Cost	Price	Market Value	Weight	Unit Income	Annual Income	Current Yield
US TREAS NTS 2.750% 11/15/23	UTN0023	100,000.000	100.68	100,683.59	104.08	104,437.08	2.0	2.75	2,750.00	2.642
US TREAS NTS 2.250% 4/30/21	UTN2221A	50,000.000	101.06	50,531.25	100.84	50,613.62	1.0	2.25	1,125.00	2.231
US TREAS NTS 2.250% 7/31/21	UTN2221B	50,000.000	102.09	51,046.88	101.01	50,974.79	1.0	2.25	1,125.00	2.228
Total for Taxable Fixed - US Treas				202,261.72		206,025.49	4.0		5,000.00	2.439
Taxable Funds - Bank Loan										
EATON VANCE FLT-RT HI INC R6 #1048	ESFHX	.268	8.92	2.39	8.73	2.34	.0	.43	.12	5.128
Total for Taxable Funds - Bank Loan				2.39		2.34	.0		.12	5.128
Taxable Funds - High Yield										
PIMCO HIGH YIELD,INSTL #108	PHIYX	.016	8.75	.14	8.75	.14	.0	.46	.01	7.143
Total for Taxable Funds - High Yield				.14		.14	.0		.01	7.143
Taxable Funds - Int Term										
ISHARES MBS ETF	MBB	233.000	108.15	25,199.12	108.06	25,177.98	.5	2.99	696.44	2.766
Total for Taxable Funds - Int Term				25,199.12		25,177.98	.5		696.44	2.766
Total: Total Fixed Income				1,500,362.85		1,515,549.73	29.5		45,413.63	3.012
Cash Equivalents										
Cash - Money Market										
FIRST AMERN GOVT OBLIG FD CL Z #3676	FGZXX	203,760.250	1.00	203,760.25	1.00	203,994.89	4.0	.02	3,095.73	1.519
Total for Cash - Money Market				203,760.25		203,994.89	4.0		3,095.73	1.519
Total: Cash Equivalents				203,760.25		203,994.89	4.0		3,095.73	1.519
Total				4,371,387.20		5,145,623.07	100.0		123,469.05	2.403

DESERT HEALTHCARE DISTRICT

12/31/2019

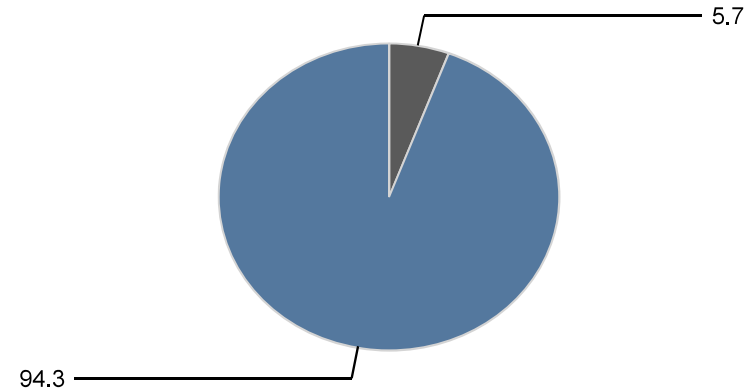
Investment Objective: FIXED INCOME MANAGEMENT
Investment Officer: KEITH STRIBLING, CFA

Reporting Period Ending: December 31, 2019

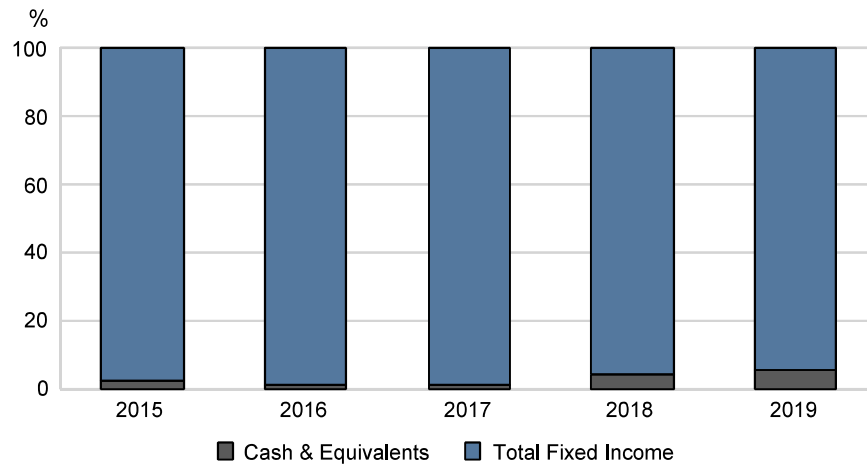
Asset Allocation Summary

Market Value by Asset Class

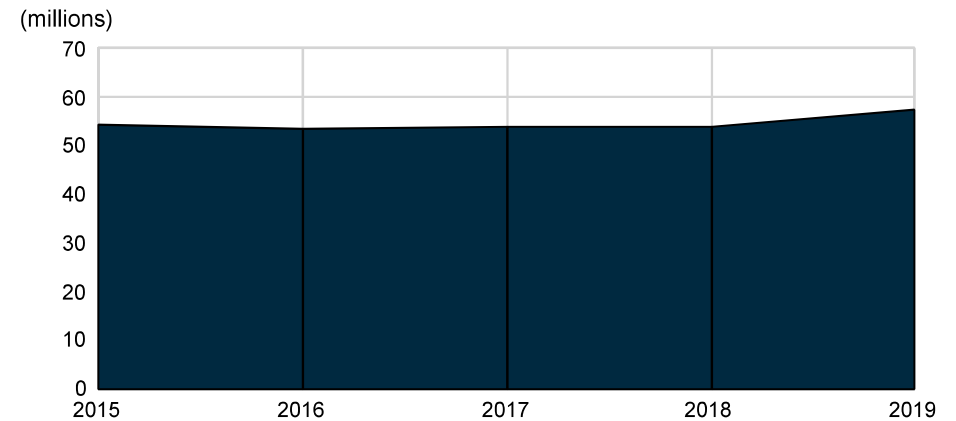
	Market Value	% of Mkt Val
Total Fixed Income	54,097,498	94.3
Cash & Equivalents	3,284,697	5.7
Total	57,382,195	100.0



Annual Allocation



Annual Ending Market Values

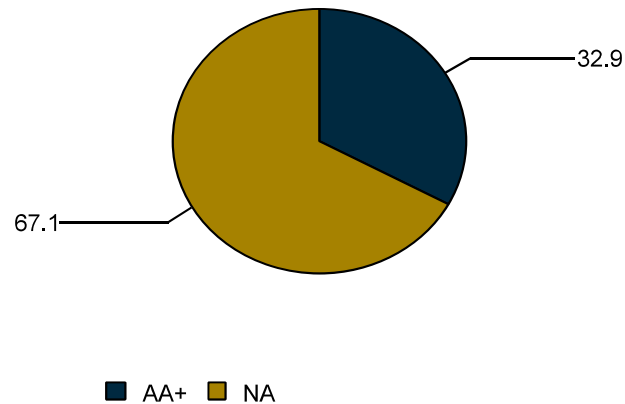


Reporting Period Ending: December 31, 2019

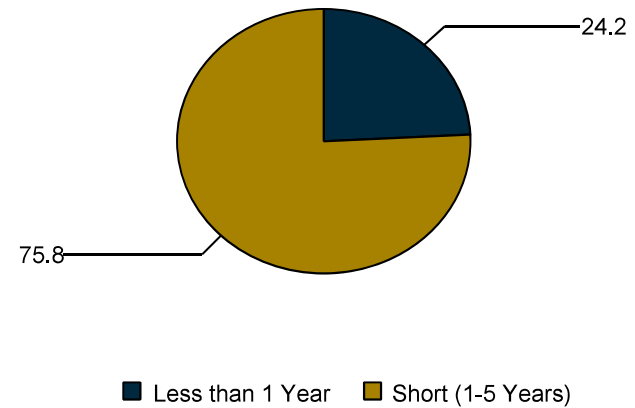
Fixed Income Analysis - Individual Holdings

	12/31/2019	09/30/2019	12/31/2018	12/31/2017	12/31/2016
Duration	1.75	1.81	2.18	2.17	1.87
Coupon	2.14	2.15	2.35	2.52	3.38
Yield to Maturity	1.63	1.71	2.56	2.04	1.45
Maturity	1.78	1.85	2.24	2.23	1.91
Current Yield	2.12	2.12	2.36	2.50	3.29
Face Amount	53,300,000	51,800,000	51,800,000	52,800,000	51,200,000
Market Value	53,828,238	52,329,560	51,549,678	52,995,800	52,362,702
Cost	53,376,619	51,984,856	52,042,639	53,883,391	54,179,909

Quality Allocation by Market Value



Maturity Allocation by Market Value



As of: December 31, 2019

Performance Report

	Market Value	3 Months	1 Year	3 Years	5 Years	10 Years	20 Years	Inception to Date 07/01/1998
Cash Equivalents	3,284,697	.41	2.08	1.51	.98	.51	1.70	1.93
Lipper Money Market Funds Index		.38	1.98	1.42	.88	.44	1.56	1.78
Total Fixed Income	54,097,498	.50	3.76	2.03	1.54	1.40	3.15	3.27
BBG Barclays 1-3 Yr US Govt. Bd Index		.51	3.59	1.86	1.40	1.25	2.93	3.05
Total Managed Portfolio	57,382,195	.47	3.57	1.97	1.50	1.37	3.08	3.20
Total Account Net of Fees	57,382,195	.42	3.37	1.77	1.30	1.17	2.87	3.00

As of: December 31, 2019

Holdings Report w/ Yield and Income

	Ticker	Units	Unit Cost	Total Cost	Price	Market Value	Weight	Unit Income	Annual Income	Current Yield
Total Fixed Income										
Taxable FX- US Govt Agcy										
FHLB CONS BD 1.875% 11/29/21	FCB1821	1,000,000.000	99.56	995,643.00	100.54	1,007,036.67	1.8	1.88	18,750.00	1.865
FEDERAL HOME LOAN 2.750% 6/10/22	FHL2722	1,000,000.000	99.68	996,760.00	102.74	1,029,044.17	1.8	2.75	27,500.00	2.677
FHLB BDS 3.625% 6/11/21	FB33621A	1,000,000.000	101.44	1,014,367.84	102.86	1,030,623.89	1.8	3.63	36,250.00	3.524
FHLB BDS 1.375% 6/12/20	FB11320F	1,000,000.000	100.02	1,000,232.24	99.87	999,455.69	1.7	1.38	13,750.00	1.377
FEDERAL HOME LOAN BA 3.250% 6/09/23	FHL3223H	1,000,000.000	101.08	1,010,762.11	105.36	1,055,626.11	1.8	3.25	32,500.00	3.085
FNMA BDS 1.500% 6/22/20	FB11520E	1,000,000.000	100.06	1,000,591.71	99.93	999,675.00	1.7	1.50	15,000.00	1.501
FNMA MTN 1.875% 12/28/20	FM11820D	2,000,000.000	100.28	2,005,556.96	100.24	2,005,192.50	3.5	1.88	37,500.00	1.870
FNMA NTS 1.250% 5/06/21	FN11221B	1,500,000.000	100.03	1,500,521.59	99.53	1,495,799.58	2.6	1.25	18,750.00	1.256
FNMA NTS 2.000% 1/05/22	FN22022D	1,000,000.000	100.03	1,000,268.74	100.77	1,017,487.78	1.8	2.00	20,000.00	1.985
FNMA NTS 1.875% 4/05/22	FN11822	2,000,000.000	97.15	1,942,935.84	100.64	2,021,838.33	3.5	1.88	37,500.00	1.863
FNMA NT 2.000% 11/30/20	FN22020AC	1,000,000.000	100.36	1,003,600.60	100.30	1,004,722.22	1.8	2.00	20,000.00	1.994
FHLMC NTS 2.375% 1/13/22	FN22322	2,000,000.000	100.90	2,018,087.69	101.54	2,053,006.67	3.6	2.38	47,500.00	2.339
FHLMC NTS 1.500% 1/17/20	FN11520AG	1,000,000.000	99.99	999,940.00	99.99	1,006,733.33	1.8	1.50	15,000.00	1.500
FEDERAL HOME LN MTG 2.750% 6/19/23	FHL2723A	1,000,000.000	98.83	988,303.00	103.86	1,039,516.67	1.8	2.75	27,500.00	2.648
Total for Taxable FX- US Govt Agcy				17,477,571.32		17,765,758.61	31.0		367,500.00	2.076
Taxable Fixed - US Treas										
US TREAS NTS 1.875% 7/31/22	UTN0022C	1,000,000.000	100.55	1,005,469.69	100.71	1,014,916.47	1.8	1.88	18,750.00	1.862
US TREAS NTS 1.625% 8/31/22	UTN1622B	2,000,000.000	100.43	2,008,639.27	100.08	2,012,622.14	3.5	1.63	32,500.00	1.624
US TREAS NTS 1.875% 9/30/22	UTN0022D	2,000,000.000	100.25	2,004,963.02	100.76	2,024,768.69	3.5	1.88	37,500.00	1.861
US TREAS NTS 2.000% 10/31/22	UTN0122B	1,000,000.000	99.78	997,812.50	101.10	1,014,386.59	1.8	2.00	20,000.00	1.978
US TREAS NTS 2.375% 1/31/23	UTN0023C	2,000,000.000	98.76	1,975,156.25	102.27	2,065,277.72	3.6	2.38	47,500.00	2.322
US TREAS NTS 2.250% 2/29/20	UTN2220	1,000,000.000	99.62	996,171.88	100.09	1,008,523.02	1.8	2.25	22,500.00	2.248
US TREAS NTS 2.750% 4/30/23	UST0023A	1,000,000.000	99.72	997,226.56	103.62	1,040,894.07	1.8	2.75	27,500.00	2.654
UNITED STATES TREAS 2.750% 5/31/23	UST2823	1,000,000.000	99.71	997,070.31	103.69	1,039,297.58	1.8	2.75	27,500.00	2.652
UNITED STATES TREA NTS 1.75% 7/31/21	UST1721	2,500,000.000	100.36	2,508,883.09	100.24	2,524,358.42	4.4	1.75	43,750.00	1.746
US TREAS NTS 2.125% 1/31/21	UTN2121	1,000,000.000	100.56	1,005,599.81	100.52	1,014,122.66	1.8	2.13	21,250.00	2.114
US TREAS NTS 2.000% 2/28/21	UTN2021A	2,000,000.000	100.14	2,002,701.90	100.41	2,021,716.48	3.5	2.00	40,000.00	1.992

As of: December 31, 2019

Holdings Report w/ Yield and Income

	Ticker	Units	Unit Cost	Total Cost	Price	Market Value	Weight	Unit Income	Annual Income	Current Yield
US TREAS NTS 2.250% 3/31/21	UTN2221	1,000,000.000	100.53	1,005,341.05	100.76	1,013,337.21	1.8	2.25	22,500.00	2.233
US TREAS NTS 2.125% 9/30/21	UTN2121B	1,500,000.000	101.14	1,517,133.27	100.90	1,521,524.39	2.7	2.13	31,875.00	2.106
US TREAS NTS 2.000% 10/31/21	UTN2021D	1,000,000.000	100.22	1,002,228.68	100.75	1,010,866.59	1.8	2.00	20,000.00	1.985
US TREAS NTS 2.125% 12/31/21		1,800,000.000	100.71	1,812,845.97	101.05	1,819,023.08	3.2	2.13	38,250.00	2.103
US TREAS NTS 3.625% 2/15/20	UTN3620	1,000,000.000	100.28	1,002,803.86	100.23	1,016,012.26	1.8	3.63	36,250.00	3.617
US TREAS NTS 2.625% 8/15/20	UTN2620	1,000,000.000	100.75	1,007,533.40	100.60	1,015,935.08	1.8	2.63	26,250.00	2.609
US TREAS NTS 2.625% 11/15/20	UTN2620A	1,000,000.000	100.83	1,008,294.06	100.84	1,011,789.42	1.8	2.63	26,250.00	2.603
US TREAS NTS 3.125% 5/15/21	UTN3221	1,000,000.000	101.07	1,010,674.02	102.04	1,024,465.03	1.8	3.13	31,250.00	3.062
US TREAS NTS 2.125% 8/15/21	UTN2521	1,000,000.000	98.93	989,296.88	100.84	1,016,386.49	1.8	2.13	21,250.00	2.107
US TREAS NTS 2.000% 2/15/22	UTN2022	1,000,000.000	100.59	1,005,873.05	100.85	1,016,074.35	1.8	2.00	20,000.00	1.983
US TREAS NTS 2.000% 7/31/20	UTN2020	1,000,000.000	100.61	1,006,064.90	100.21	1,010,439.57	1.8	2.00	20,000.00	1.996
US TREAS NTS 2.000% 9/30/20	UTN2020A	1,000,000.000	100.51	1,005,089.26	100.26	1,007,661.97	1.8	2.00	20,000.00	1.995
US TREAS NTS 1.875% 3/31/22	33122	2,000,000.000	100.20	2,004,093.44	100.64	2,022,268.69	3.5	1.88	37,500.00	1.863
US TREAS NTS 2.250% 4/30/21	UTN2221A	1,000,000.000	101.14	1,011,379.63	100.84	1,012,272.42	1.8	2.25	22,500.00	2.231
US TREAS NTS 2.250% 7/31/21	UTN2221B	1,000,000.000	100.75	1,007,534.96	101.01	1,019,495.76	1.8	2.25	22,500.00	2.228
US TREAS NTS 2.125% 6/30/22	UTN2122	1,000,000.000	100.25	1,002,505.47	101.32	1,013,258.38	1.8	2.13	21,250.00	2.097
US TREAS NTS 1.625% 6/30/20	UTN0020A	1,000,000.000	100.07	1,000,661.40	100.00	1,000,044.64	1.7	1.63	16,250.00	1.625
Total for Taxable Fixed - US Treas				35,899,047.58		36,331,739.17	63.3		772,625.00	2.139
Total: Total Fixed Income				53,376,618.90		54,097,497.78	94.3		1,140,125.00	2.118
Cash Equivalents										
Cash - Money Market										
FIDELITY GOVT MMKT INST CL-I #57	FIDGOV	3,279,938.890	1.00	3,279,938.89	1.00	3,284,696.80	5.7	.01	49,163.00	1.499
Total for Cash - Money Market				3,279,938.89		3,284,696.80	5.7		49,163.00	1.499
Total: Cash Equivalents				3,279,938.89		3,284,696.80	5.7		49,163.00	1.499
Total				56,656,557.79		57,382,194.58	100.0		1,189,288.00	2.083



HighMark Capital Management, Inc. (HighMark), an SEC-registered investment adviser, is a wholly owned subsidiary of MUFG Union Bank, N.A. (MUB). HighMark manages institutional separate account portfolios for a wide variety of for-profit and nonprofit organizations, public agencies, public and private retirement plans, and personal trusts of all sizes. It may also serve as sub-adviser for mutual funds, common trust funds and collective investment funds. MUB, a subsidiary of MUFG Americas Holdings Corporation, provides certain services to HighMark and is compensated for these services. Past performance does not guarantee future results. Individual account management and construction will vary depending on each client's investment needs and objectives. **Investments employing HighMark strategies are NOT insured by the FDIC or by any other Federal Government Agency, are NOT Bank deposits, are NOT guaranteed by the Bank or any Bank affiliate, and MAY lose value, including possible loss of principal.**



Date: February 11, 2020

To: Finance & Administration Committee

Subject: Selection of audit firm to perform the 06/30/2020 financial audits for the District, Foundation and Retirement Protection Plan

Staff Recommendation: Consideration to approve the selection of Moss, Levy, Hartzheim, LLP to perform the 6/30/2020 financial audits for the District, Foundation, and Retirement Protection Plan.

Background:

- It is the practice of the District to consider and evaluate a 5-year rotation of audit firms and/or audit teams.
- At the October 22, 2019 Board of Directors meeting, the Board approved a RFP letter to submit to 8 firms
- 2 firms indicated a proposal would not be provided and 4 firms did not respond
- Proposals were received from Lund & Guttry LLP and Moss, Levy & Hartzheim, LLP
- Lund & Guttry, LLP performed the audits of the District/Foundation/RPP from 2005-2013
- Moss, Levy & Hartzheim LLP (MLH) has performed the financial audits of the District/Foundation/RPP from 2014-2019
- Craig Hartzheim, CPA has been the Managing Partner of the firm during the past six years
- MLH has three partners, which offers the ability to provide partner rotation
- Mr. Hadley Y. Hui, CPA will be the managing partner for the 06/30/2020 should the firm be selected
- The District F&A Committee and staff have been pleased with the work MLH has performed over the past six years
- The firm's fee proposals are as follows:
 - Lund & Guttry, LLP - \$32,750
 - Moss, Levy, Hartzheim, LLP - \$32,155
 - Moss, Levy, Hartzheim, LLP is the low proposal by a difference of \$595
- Staff recommends approval of engaging with Moss, Levy, Hartzheim, LLC for the 6/30/2020 financial audits
- Included in the packet for your review and consideration are the RFP fee proposals summary and the proposals for both responding firms

Fiscal Impact:

\$32,155 for the audit fees for 6/3/2020 audit included in the FY19-2020 budget

**DESERT HEALTHCARE DISTRICT
RESULTS OF RFP FOR FINANCIAL AUDIT SERVICES FOR FYE 6/30/20
FEE PROPOSALS**

		Fee Proposals				
	Date Rec'd	District SCO	Foundation 990	RPP SCO	Total	
Moss, Levy & Hartzheim, LLP – Managing Partner – Hadley Hui, CPA, Managing Partner Website: www.mlhcpas.com Address: 5800 Hannum Avenue, Suite E, Culver City, CA 90230 Telephone: 310-670-2745, x 106 hhui@mlhcpas.com Note: Moss Levy, Hartzheim has performed the DHCD/DHCF/RPP audits from 2014-2019 The new Managing Partner would be Hadley Hui, CPA	1/14/2020		\$ 18,750 \$ 7,930	\$ 5,475	\$ 32,155	
		City of Indio Beach City Healthcare District City of Beaumont City of El Centro	Includes 10% Fee discount - Future annual increase not to exceed 3%.			
Lund & Guttry, LLP - Managing Partner - Gary Dack, CPA Website: www.lundandguttry.com Address: 36917 Cook Street, Suite 102, Palm Desert, CA 92211 Telephone: 760-568-2242 lgaudit@lundandguttry.com Note: Lund & Guttry performed the audits from 2005-2013	1/2/2020	Deser Healthcare District Mission Springs Water District HARC, Inc. CV Volunteers in Medicine Jewish Family Services	\$ 15,750 \$ 11,500	\$ 5,500	\$ 32,750	
			Future annual increase 3%-5%			
Fechter & Company, CPAs - Managing Partner - Craig R. Fechter, CPA Website: www.fechtercpa.com Address: 1870 Avondale Avenue, Suite 4, Sacramento, CA 95825 Telephone: 916-333-5360	1/9/2020 Chose not to provide a proposal					
White Nelson Diehl Evans LLP – Managing Partner - David P. Doran, CPA - Website: www.wndecpa.com Address: 2875 Michelle Drive, Suite 300, Irvine, CA 92606 – Grossmont Auditors Telephone: 714-978-1300	1/14/2020 Did not provide proposal Could not compete with current rates					
Maryanov Madsen Gordon & Campbell – Managing Partner – Steven T. Erickson, CPA Website: www.mmgccpa.com Address: 801 E. Tahquitz Canyon Way, Suite 200, Palm Springs, CA 92262 Telephone: 760-320-6642	No Response					
Eadie and Payne, LLP – Managing Partner – Deborah Crowley, CPA Website: www.eadiepaynellp.com Address: 3880 Lemon Street, Suite 300, Riverside, CA 92501 Telephone: 951-241-7800	No Response					
Osborne Rincon, CPAs – Managing Partner (President) – Lee M. Osborne, CPA Website: www.osbornerincon.com Address: 79-245 Corporate Centre Drive, Suite 101, La Quinta, CA 92253 Telephone: 760-777-9805	No Response					
Lance, Soll & Lunghard, LLP - Managing Partner - Erika Aaron Website: www.lslcpas.com Address: 203 N. Brea Blvd., Suite 203, Brea, CA 92821 Telephone: 800-836-8027	No Response					

DESERT HEALTHCARE DISTRICT
PROPOSAL FOR INDEPENDENT AUDIT SERVICES
For the Fiscal Year Ending June 30, 2020
=====

Submitted By:

Moss, Levy & Hartzheim, LLP
5800 Hannum Avenue, Suite E
Culver City, CA 90230
Phone: (310) 670-2745
Fax: (310) 670-1689
Email: mlhbh@mlhcpas.com
Website: www.mlhcpas.com

Submitted On:

January 14, 2020

Contact Person:

Craig A. Hartzheim, CPA: Partner
Ron A. Levy, CPA: Partner
Hadley Y. Hui, CPA: Partner

Letter of Transmittal	i
------------------------------------	----------

Technical Proposal:

Firm Experience	1
Engagement Team	4
Audit Approach	6
Fees.....	8
References	8
Why Select Our Firm.....	8

Appendices:

Appendix A – Current and/or Recently Completed Audits.....	9
Appendix B – Resumes	12
Appendix C – Peer Quality Review Report.....	16
Appendix D – Cost Proposal	17
Appendix E – References	21



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

RONALD A LEVY, CPA
CRAIG A HARTZHEIM, CPA
HADLEY Y HUI, CPA
ALEXANDER C HOM, CPA
ADAM V GUISE, CPA

COMMERCIAL ACCOUNTING & TAX SERVICES

433 N. CAMDEN DRIVE, SUITE 730
BEVERLY HILLS, CA 90210
TEL: 310.273.2745
FAX: 310.670.1689
www.mlhcpas.com

GOVERNMENTAL AUDIT SERVICES

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

Mr. Chris Christensen, CPA
Desert Healthcare District
1140 N. Indian Canyon Drive
Palm Springs, California 92262

Dear Mr. Christensen,

We are pleased to respond to the Desert Healthcare District's ("DHCD") Request for Proposal for independent auditing services. We have prepared our proposal to address each of the specifications included in DHCD's Request for Proposal.

After 62 years in public accounting and 42 years of performing local governmental and non-profit audits, it is extremely gratifying to witness the continued growth of Moss, Levy & Hartzheim, LLP. The firm is a regional full service public accounting firm with offices in Beverly Hills, Culver City, and Santa Maria and clients throughout the State of California, as well as thirty-one other states. We are pleased with not only the continuing development of the firm but also the progress and economic health of our clients. We understand that non-profit and governmental accounting are specialized industries with their own accounting standards and requirements, and that is why we strive to constantly improve the quality of our professional services. This degree of dedication, coupled with our ability to inform our clients of any new accounting and auditing issues is paramount to our success.

We feel that our size is such that we are large enough to provide a broad spectrum of services and experience backed by an in-house training program, professional development courses, and an extensive professional library, yet not so large as to become impersonal and rigid. Our informal style allows us to be flexible enough to complete our audits in a timely manner that is the most convenient for each client. Also, this style allows us to be more accessible to our clients when our clients have questions or concerns.

It is our understanding that we will perform an audit of DHCD's basic financial statements in accordance with auditing standards generally accepted in the United States of America as set forth by the American Institute of Certified Public Accountants, with the objective of expressing an opinion on the fair presentation of the basic financial statements.

In addition to the procedures deemed necessary to express our opinion on the basic financial statements, we understand that we will also be responsible for performing certain limited procedures involving the management's discussion and analysis (MD&A) and the required supplementary information (RSI), as mandated by auditing standards generally accepted in the United States of America.

Our audit would be conducted in accordance with auditing standards generally accepted in the United States of America, including all applicable auditing standards issued by the American Institute of Certified Public Accountants.

It is our understanding that we will also be responsible for issuing an independent auditor's report on the financial statements of the Desert Healthcare Foundation (DHF) and preparing the Federal and State exempt 501(c)3 information tax returns. We will also issue an independent auditors report on the financial statements of the Desert Health Retirement Protection Plan (RPP).

All noncompliance and significant deficiencies found during the audit will be communicated in writing. Non-reportable conditions discovered will be reported in a separate letter to management. All irregularities and illegal acts or indications of illegal acts of which we become aware of during the course of our audit will be immediately reported, in writing, to the DHCD's Board of Directors.

We will provide DHCD with the necessary amount of bound copies, one unbound copy, and an electronic version of all audit reports. The deadline for completion of the final reports is September 30, 2020.

We also understand that we will be responsible for preparing and electronic filing of the DHCD and RPP State Controller's Reports.

This proposal is a firm and irrevocable offer until April 15, 2020.

Thank you for your consideration and please do not hesitate to contact the authorized representatives listed below with any questions, problems, or concerns.

(1) Craig A. Hartzheim, CPA
Partner
5800 Hannum Avenue
Suite E
Culver City, CA 90230
(310) 670-2745
chartzheim@mlhcpas.com

(2) Ron A. Levy, CPA
Partner
5800 Hannum Avenue
Suite E
Culver City, CA 90230
(310) 670-2745
rlevy@mlhcpas.com

(3) Hadley Y. Hui, CPA
Partner
5800 Hannum Avenue
Suite E
Culver City, CA 90230
(310) 670-2745
hhui@mlhcpas.com

Sincerely,



Hadley Y. Hui, CPA
Partner

FIRM EXPERIENCE

Moss, Levy & Hartzheim, LLP is a regional firm that performs audits of non-profit and governmental entities throughout the State of California, from the Oregon border to the Mexico border. Our firm also performs review and compilation engagements as well as tax and consulting services to clients throughout the United States. The firm currently employs 22 professionals, all of whom are trained in governmental auditing, and has annual gross revenues in excess of four million dollars. The firm has three offices in California: Beverly Hills, Culver City, and Santa Maria.

Our firm currently provides the following services:

Audit:

- Non-Profit
- Pensions
- Governmental (charter schools, school districts, cities, single audits, and special districts)
- Commercial
- Compliance
- Transient Occupancy Tax

Accounting Services:

- Reviews
- Compilations

Management Advisory Services (Non-Audit Clients):

- Data Processing Services
- Business Consultation
- Pension and Profit-Sharing Plan Assistance
- Acquisition and Mergers

Income Tax Services:

- Preparation
- Planning
- Tax Audits and Negotiations with Internal Revenue Service and Other Taxing Authorities

Moss, Levy & Hartzheim has an extensive background in auditing non-profit agencies, charter schools, school districts, and municipalities with over forty-two years of experience in this specialized field. We currently perform ten non-profit audits, one charter school audit, seven school district audits, the annual audit of the County Sanitation Districts of Los Angeles County (all 25 districts), over twenty city audits, and over thirty-two special district audits. We have completed monitoring of over one hundred contractors for the County of Los Angeles, for contract compliance and fiscal monitoring. We are also on the master lists and have signed master contracts with the County of San Diego and the County of Los Angeles for Compliance and Financial Audits. Therefore, our firm has significant experience in auditing and preparing financial statements for all types of governmental agencies.

Please see *Appendix A – Current and/or Recently Completed Governmental Audits* for a list of recent audits performed by the firm.

Recent local auditing experiences include the following:

1. Non-Profit Agencies

Currently our firm audits ten non-profit agencies throughout the State of California.

FIRM EXPERIENCE (Continued)

Recent local auditing experiences include the following: (Continued)

2. Special Districts

Currently our firm audits in excess of thirty-two special districts including the County Sanitation Districts of Los Angeles County (all 25 Districts), recreation districts, utility districts, cemetery districts, community services districts, sanitary districts, water districts, fire districts, ambulance services districts, airport districts, and vector control districts.

3. Uniform Guidance

We have performed compliance audits in accordance with Title 2 U.S. Code of Federal Regulation Part 200, Subpart F, *Uniform Administrative Requirements, Cost Principle and Audit Requirements for Federal Awards* (Uniform Guidance), for our municipal clients who are required to have compliance audits (which is the majority of our municipal clients) and for all of our school district clients.

4. Federal and State Grant Programs and the Single Audit

Almost all of our school district clients, each of our municipal clients, and the majority of our special district clients receive federal and state grants which require compliance audits. Some of our most commonly audited federal programs are as follows:

School District Major Programs:

- Senior Nutrition Programs
- Child Nutrition Programs
- Title I, II, III and VI
- Migrant Education
- Vocational Education
- Special Education
- Head Start

Municipal Major Programs:

- Community Development Block Grant Funds (CDBG)
- Federal Emergency Management Act Funds (FEMA)
- Section 8 Housing Assistance Payments
- Transportation Enhancement Act (TEA)
- Airport Improvement Program (AIP)
- Economic Development Grants (EDA)
- Home Investment Partnerships Program (HOME)
- Capitalization Grants for State Revolving Funds
- Surveys, Studies, Investigations, and Special Purpose Grants

Other Common Municipal Programs:

- COPS Grants (including LLEBG)
- Asset Seizure Funds
- Retired Senior Volunteer Program

5. School Districts

Currently our firm audits one charter schools and seven school districts throughout the State of California. We have also performed audits of student bodies for nearly all of our school district clients.

FIRM EXPERIENCE (Continued)

Recent local auditing experiences include the following: (Continued)

6. Income Tax Services

The firm provides non-profit information, tax exempt reporting services and other tax services such as planning, preparation, and tax audits as well as negotiations with the Internal Revenue Service and other taxing authorities on behalf of our clients.

7. Bond Reporting

The firm has assisted many of our clients in properly reporting and accounting for bond issuance costs and discounts or premiums, as well as reviewing debt covenant requirements. Many of our clients' audited statements have been included in official debt issuance statements.

8. State Controller's Report and Street Report

We have prepared State Controller's Reports and Street Reports for numerous special districts, cities, and redevelopment agencies. We feel this experience allows us to help assist our clients in their preparation of the State Controller's Reports or prepare the reports as a separate engagement for our clients.

9. CSMFO and GFOA Award Programs

The firm has or is currently auditing the following entities that have participated in and have received the CSMFO and/or GFOA Award Programs:

City of Bellflower	City of Paso Robles
City of Brawley	City of Santa Maria
City of Calabasas	City of Scotts Valley
City of Campbell	City of Susanville
City of Covina	City of Tracy
City of Culver City	City of Watsonville
City of El Centro	City of Westlake Village
City of Eureka	City of Whittier
City of Fort Bragg	City of Winters
City of Indio	City of Yuba City
City of Laguna Hills	County Sanitation Districts of
City of Lathrop	Los Angeles County
City of Lompoc	Encina Wastewater Authority
City of Los Alamitos	Los Angeles County Flood Control District
City of Pacifica	Ross Valley Sanitary District

FIRM EXPERIENCE (Continued)

Recent local auditing experiences include the following: (Continued)

10. Joint Powers Authorities

We have audited the following joint powers authorities (JPAs):

County of San Diego – Emergency Services Organization
Data Processing Joint Powers Agency
Encina Wastewater Authority
Exclusive Risk Management Authority of California
Humboldt/Del Norte Hazardous Materials Response Authority of City of Eureka
North Coast Emergency Medical Services
Public Agency Self Insurance System
San Diego Geographic Information Source
Santa Barbara Water Purveyors Joint Powers Agency

Santa Barbara County Special Education Local Plan Area Joint Powers Agency
Tracy Area Public Facilities Financing Authority
Transportation Authority of Marin
West Contra Costa Integrated Waste Management Authority

In addition to the joint powers agencies listed above, the vast majority of our governmental clients are members of joint powers agencies. As such, our firm has experience in reviewing JPA statements and disclosing the appropriate JPA information in the financial statements for each governmental client.

11. Other Audits

The firm has also assisted several clients in reviewing franchise financial statements as part of reviewing franchise request for rate increases. In addition, the firm has performed transient occupancy tax audits for ten municipalities and has performed various audits of operating lease charges (such as use of a sewage treatment plant based on percentage of use by our client and actual expense as recorded by the treatment plant operator).

12. Investment Compliance

In addition to financial statement audits, we also review our clients' compliance with their investment policies and examine investment types, including, but not limited to, an evaluation of maturity dates (short-term or long-term), types and category, and collateral to ensure proper disclosure of risk in the basic financial statements.

ENGAGEMENT TEAM

DHCD will have one partner, one manager, and one supervising senior assigned to the audits on a full-time basis. In addition, one staff accountant will be assigned to the audits on a full-time basis.

The audit work will be completed by staff from our Culver City office.

The Culver City office is currently staffed by six certified public accountants (three partners, two managers, and one senior accountant). In addition, the Culver City office has nine employees, ranging from managers, senior accountants, and staff accountants. All certified public accountants, managers, senior accountants, and staff accountants are part of the governmental and non-profit audit practice.

ENGAGEMENT TEAM (Continued)

The firm will maintain staff continuity on the engagement throughout the term of the contract, barring any terminations, illnesses, or other unforeseen circumstances (departure from the firm, promotion, or assignment to another office). At the written request of the District, any Moss, Levy & Hartzheim, LLP employee assigned to the audit can be removed and replaced by another qualified employee. DHCD retains the right to approve or reject replacements.

In the last three years we have had three professional staff who have left the firm.

Please see *Appendix B – Resumes* for the Partners and Audit Manager's qualifications and experience.

It is the firm's policy to have our partners and audit managers involved in the managing function of our audits. Having both the partner and audit manager involved in the engagement allows DHCD to receive immediate response to questions about accounting and audit topics, concerns, and findings.

It is expected that Mr. Ron A. Levy, CPA would be the technical (concurring) partner in charge of DHCD's audits. He will be responsible for reviewing DHCD's financial statements and all other required statements and reports. He may also be responsible for addressing any of DHCD's questions or concerns that arise during the year. He has assisted numerous non-profit agencies, charter schools, school districts, and municipalities.

Mr. Hadley Y. Hui, CPA will be the engagement partner assigned to the audits. As engagement partner, he will oversee the day-to-day operations of the audits, review all audit areas, and be on-site for a majority of the fieldwork. He has assisted many non-profit agencies, charter schools, school districts, and municipalities. It is the firm's policy during the first year on the audit engagement to have a partner on-site for a majority of the fieldwork. This policy enables the partner to become acquainted with DHCD's daily operations and key personnel.

Mr. Edward Eisenhauer, CPA will be the manager assigned to the audits. He will oversee the day-to-day operations of the audits and perform more difficult audit sections.

Mr. Cody Hartzheim will be the supervising senior assigned to the audit. As the senior accountant, it will be his responsibility to oversee the staff accountants, do preliminary reviews of audit sections, and to also perform more difficult audit sections.

No complaints have been leveled by the State Board of Accountancy or any other agency against any of the staff assigned to DHCD's audits. In addition to the supervisory staff listed above, one staff accountant will be assigned to the audits. All staff accountants have degrees from accredited colleges or universities, have received in-house non-profit and governmental audit training, and at present, have at least one year of non-profit and governmental auditing experience. All staff accountants will be directly supervised by the manager assigned to the audit at all times. All partners, managers, and staff members have worked on numerous non-profit engagements together. Consistently working together will provide DHCD with a knowledgeable, proficient, and efficient audit team.

The firm conducts an annual firm-wide two-day training seminar to update all governmental auditors on new pronouncements and improved audit techniques. In addition to this firm sponsored seminar, each governmental auditor attends the annual governmental accounting conference and many other continuing education courses and is updated on current accounting/auditing issues through our journals and supplements, which we receive on a regular basis.

AUDIT APPROACH

We will utilize the current year's budget, and our knowledge of DHCD's systems to determine materiality for the different audit sections. We will select a sample of transactions to determine to what extent the systems are functioning as described to us. The extent of our sample size will depend upon our assessment of the internal control structure and the results of our assessment in accordance with the *Statements on Auditing Standards*.

The selection of transactions for testing will be made using a combination of random, systematic, and haphazard sampling techniques. We will identify the strength of the systems upon which we can rely in planning our substantive tests. Our internal control review will meet all of the following requirements of AICPA: Statement on Auditing Standards (SAS) No. 55, *Consideration of the Internal Control Structure in a Financial Statement Audit*, as amended by SAS No. 78; SAS No. 99, *Consideration of Fraud in a Financial Statement Audit*; SAS No. 106, *Audit Evidence*; SAS No. 107, *Audit Risk and Materiality in Conducting an Audit*; SAS No. 108, *Planning and Supervision*; SAS No. 109, *Understanding the Entity and*

Its Environment and Assessing the Risks of Material Misstatement; and SAS No. 110, *Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained*.

It is estimated that the sampling size for transaction testing for compliance with systems as actually implemented would be as following:

- I. Minimum of 60 disbursement items, including automatic and manual checks
- II. Minimum of 40 payroll checks/direct deposits.
- III. Minimum of 40 receipt items.

We have extensive knowledge in auditing computer systems. We have assisted numerous clients with the implementation of accounting software and database business systems. This assistance has provided our firm with a thorough background in computer systems with respect to both the software applications aspect and also insight into auditing such systems. It is our policy to have a computer specialist as part of the audit team and to be used on an as-needed basis. This individual assists the audit team in documenting the computer system internal control structure and highlighting strengths and weaknesses relating to the computer structure of DHCD.

In addition, all of our staff is equipped with not only word processing and spreadsheet capabilities, but also various functional software, such as PPC Audit – e-Tools, Creative Solutions Accounting, Adobe Acrobat, random sampling software, Lacerte Tax Program, and Easy Accounting Software, which contain amortization programs and depreciation programs, and other applications.

We will perform preliminary analytical review procedures using the current year's working trial balance and the current fiscal year's budget. In the preliminary stage, we will adopt ratio analysis procedures to compare the relationships between account balances and classes of transactions against budgets and industry statistics. This may include budgets, trial balances, and/or draft financial statements to help us identify the source of individual fluctuations. Any unexpected trends or deviations will be discussed with relevant DHCH staff to obtain explanations.

We will communicate with the governing body and Audit Committee at the beginning of the audit, either in person or through written communication. We will also interview one or two Board members to discuss the audit process and determine if there are any additional areas to examine.

As part of our audit procedures we usually request a working trial balance in excel format and access to view general ledger detail directly from the software system. This increases our efficiency and provides for less disruption of DHCD staff.

AUDIT APPROACH (Continued)

As part of our audit engagements, we issue management letters if we note certain observations or recommendations that we feel need to be disclosed. Our firm's philosophy regarding the management letter is that the management letter is to help management improve its internal control and accounting procedures and not to criticize the management in charge. For this reason, we present our management letters to management in draft form for open discussion prior to issuance.

We will also present the audit results to the Audit Committee and/or Board of the Directors at the end of our audit.

Please see *Appendix C – Peer Quality Review Report* for a copy of our firm's July 22, 2015 quality review report, which includes a review of governmental and non-profit engagements. The Firm's 2018 Quality Review Report is in the review stage with the Peer Reviewer.

We will also review the following documents in order to determine compliance with laws and regulations:

- (a) Minutes of the governing body with special attention to: indications of new revenue sources; expense authorizations and related appropriations, including any special or restrictive provisions; authorization for bank or other debt incurred; awards to successful bidders; authorization for new leases entered into; net position restrictions; and authorization for significant new employees hired
- (b) New agreements and amendments to new agreements including but not limited to grant agreements; debt and lease agreements; labor agreements; joint venture agreements; and other miscellaneous agreements
- (c) Administrative Code
- (d) Investment Policy

The main extent of our work would be what is required to enable us to express an opinion on the financial statements in accordance with:

- 1. *AICPA Audit Standards*
- 2. Laws of the State of California
- 3. Our firm's own additional standards and procedures

The audit will be conducted in accordance with auditing standards generally accepted in the United States of America. The primary purpose of the audit is to express an opinion on the financial statements, and such an audit is subject to the inherent risk that material errors, fraud, or other illegal acts may exist and not be detected by us. If conditions are discovered which lead to the belief that material errors, fraud, or other illegal acts may exist, or if any other circumstances are encountered that require extended service, we will promptly advise management and/or other appropriate officials.

Our audit would begin in May. We will schedule approximately one week of interim fieldwork. We will prepare narrative flow charts and other documentation of the internal control structure and of the major systems, such as revenue and cash receipts, purchasing and cash disbursements, payroll and personnel, inventory, property and equipment, grant compliance, investment activities, and the budget process. We will gain this information through discussions with appropriate DHCD staff and the review of available documented policies, organizational charts, manuals, programs, and procedures. Once we obtain this information, we will evaluate the systems of internal controls and revise our standard audit programs.

The year-end audit fieldwork will include an analytical review of all significant statement of net position and revenues and expense accounts, which includes a comparison of the current year's budget to the year-end trial balance. It is our firm's policy to perform substantive tests on all balance sheet accounts. Analytical procedures will be used to supplement the substantive tests, not supplant them. We will perform analytical procedures on all balance sheet and revenue and expense accounts.

DESERT HEALTHCARE DISTRICT
AUDIT PROPOSAL

AUDIT APPROACH (Continued)

The primary objective of the year-end audit work is to audit the final numbers that will appear in the DHCD's financial statements. Our fieldwork would also consist of procedures required under SAS No. 99, *Consideration of Fraud in a Financial Statement Audit*.

We will perform procedures such as:

- (a) Confirmations by positive and negative circularization including but not limited to all cash and investment accounts; selected receivable and revenue balances; all bonds, loans, notes payable, and capital leases; all notes receivable; all insurance carriers; all legal firms employed on DHCD business; and other miscellaneous confirmations deemed necessary
- (b) Physical verifications and observations
- (c) Analysis and review of evidential material
- (d) Interviews and investigative efforts
- (e) Electronic data processing testing for computer and software reliability
- (f) Numerous other procedures

FEES

Please see *Appendix D – Cost Proposal* for the fees and billing rates associated with the audit and preparation of tax returns.

There are no additional charges for questions on technical matters that may arise throughout the year. However, if DHCD needs a report prepared or an opinion on an accounting or audit matter in writing, then the firm will charge DHCD according to quoted hourly rates.

REFERENCES

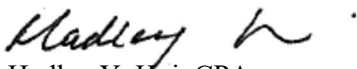
Please see *Appendix E – References* for a list of similar audit engagements performed by the local office.

WHY SELECT OUR FIRM

Moss, Levy & Hartzheim, LLP has been auditing local governmental and non-profit organizations for forty-two (42) years. Because of our extensive experience with non-profit organizations, we can efficiently serve DHCD. Our firm conducts itself in the highest professional standard and includes a partner being on-site for a majority of the fieldwork, which will ensure that the quality of work performed will be of the highest standard. Also, our firm is flexible and will work with DHCD to schedule the audit fieldwork at a mutually convenient time. In addition, we do not require clients to create new schedules to provide to us. Our firm has the experience and knowledge to work with the schedules that DHCD usually prepares.

Under penalties of perjury, I declare that I am entitled to represent the firm, empowered to submit the bid, and I am an authorized signer. There are no and have never been any financial interests between any officials or employees of the Desert Healthcare District and Moss, Levy & Hartzheim, LLP.

Respectfully Submitted,



Hadley Y. Hui, CPA
Partner

Moss, Levy & Hartzheim, LLP is an Equal Opportunity Employer

DESERT HEALTHCARE DISTRICT

APPENDIX A – CURRENT AND/OR RECENTLY COMPLETED AUDITS

NONPROFIT ORGANIZATIONS

Boys & Girls Club of Santa Maria Valley, Santa Maria, CA
Buellton Business Association/Chamber of Commerce, Buellton, CA
Camp Ocean Pines, Cambria, CA
Central Coast Commission for Senior Citizens, Santa Maria, CA
Coastal Business Finance, Santa Maria, CA
Consumer Attorneys Association of Los Angeles, Los Angeles, CA
Discovery Museum, Santa Maria, CA
Elks Lodge, Santa Maria, CA
Grace Bible Church, Arroyo Grande, CA
Habitat for Humanity, Santa Maria, CA
Life Options, Vocational and Resource Center, Lompoc, CA
Lompoc Valley Chamber of Commerce, Lompoc, CA
Meals on Wheels, Lompoc, CA
Meals on Wheels, Santa Maria, CA
Midland School Corp, Los Osos, CA
New Directions for Women, Costa Mesa, CA
North Valley Youth Baseball, Northridge, CA
Piedras Blancas Lighthouse, Cambria, CA
Prospect One Corporation, Redondo Beach, CA
Rancho Santa Fe Community Center, Rancho Santa Fe, CA
Santa Maria Chamber of Commerce, Santa Maria, CA
Santa Maria Independent Living Environment, Santa Maria, CA
Santa Maria Valley Human Society, Santa Maria, CA
Santa Ynez Valley Airport Authority, Santa Ynez, CA
St. Elmo's Village, Los Angeles, CA
Temple Beth El, Santa Maria, CA
The Los Angeles Philharmonic Business & Professional Committee, Los Angeles, CA
The Accelerated Schools
Turlock Regional Aviation Association, Turlock, CA
United Way, Santa Maria, CA
Valley Haven, Santa Ynez Valley, CA
Viking Charities, Inc., Solvang, CA

DESERT HEALTHCARE DISTRICT

APPENDIX A – CURRENT AND/OR RECENTLY COMPLETED AUDITS

SCHOOL DISTRICTS

Acton-Agua Dulce Unified School District
Ballard School District
Bellflower Unified School District
Beverly Hills Unified School District
Blochman Union School District
Bradley Elementary School District
Buellton Union School District
Calaveras County Schools
Calexico Unified School District
Calipatria Unified School District
Carpinteria Unified School District
Casmalia School District
Castaic Union School District
Cayucos Elementary School District
Coast Unified School District
Cold Springs School District
College Elementary School District
Eastside School District
El Segundo Unified School District
Garvey School District
Goleta Union School District
Graves School District
Heber School District
Hughes-Elizabeth Lakes Union School District
Keppel Union School District
Lancaster School District
Magnolia Union School District
Manhattan Beach Unified School District
Mark Twain Union Elementary School District
Meadows Union School District
Mission School District
Monrovia Unified School District
Montecito Union School District
Mulberry School District
Novato Unified School District
Orcutt Union School District
Pacific Unified School District
Palmdale School District
Pleasant Valley Union School District
Rosemead School District
San Ardo Elementary School District
San Lucas School District
San Miguel Joint Union School District
Santa Maria Joint Union High School District
Santa Monica Malibu Unified School District
Shandon Unified School District
Solvang Elementary School District
Temple City Unified School District
Torrance Unified School District
Vallecito Union School District
Westmoreland Elementary School District
Wilsona School District

CITIES AND REDEVELOPMENT AGENCIES*

Adelanto, CA
Arroyo Grande, CA
Atascadero, CA
Buellton, CA
Calabasas, CA
Covina, CA
Culver City, CA
Dinuba, CA
El Centro, CA
Eureka, CA
Fort Bragg, CA
Greenfield, CA
Grover Beach, CA
Healdsburg, CA
Holtville, CA
Hughson, CA
Indio, CA
La Canada Flintridge, CA
La Habra Heights, CA
Laguna Hills, CA
Los Alamitos, CA
Morgan Hill, CA
Ojai, CA
Pacifica, CA
Paso Robles, CA
San Anselmo, CA
Santa Maria, CA
Taft, CA
Tracy, CA
Watsonville, CA
Westlake Village, CA
Willits, CA
Winters, CA
Yorba Linda, CA
Yuba City, CA

PUBLIC FINANCING AUTHORITIES

The majority of our Municipalities issue debt and do so through an established Public Financing Authority.

OTHER SCHOOL ENTITIES

Academia Semillas del Pueblo Charter School
Albert Einstein Academy
Antelope Valley Schools Transportation District
Bright Star Secondary Charter Academy
East Bay Regional Occupational Program
Garr Academy of Mathematics and Entrepreneurial Studies
Pacoima Charter School
Santa Ynez Valley Charter School
Southern California Regional Occupational Center
Stella Middle Charter Academy
Synergy Charter Academy
Tri-Valley Regional Occupational Program

DESERT HEALTHCARE DISTRICT

APPENDIX A – CURRENT AND/OR RECENTLY COMPLETED AUDITS

COUNTIES

Los Angeles County, CA (Master List)
San Diego County, CA (Master List)

SANITATION DISTRICTS

Carpinteria Sanitation District, CA
Cayucos Sanitation District, CA
County Sanitation Districts of Los Angeles County, CA
- All 25 Districts
Encina Wastewater Authority, CA
Montecito Sanitation District, CA
Orange County Sanitation District, CA - Internal Audits

UTILITY DISTRICTS

Georgetown Divide Public Utility District

WATER/IRRIGATION DISTRICTS

Aldercroft Heights County Water District, CA
Foothill Municipal Water District, CA
Main San Gabriel Basin Watermaster, CA
Marina Water District, CA
North Marin Water District, CA
Sweetwater Springs Water District, CA
Valley County Water District, CA
Valley of the Moon Water District, CA

AMBULANCE SERVICES DISTRICT

Cambria Community Healthcare District
North Coast Emergency Medical Services

CEMETERY DISTRICTS

Arroyo Grande Cemetery District, CA
Atascadero Cemetery District, CA
Gridley-Biggs Cemetery District, CA
San Miguel Cemetery District, CA
Santa Maria Cemetery District, CA

COMMUNITY SERVICES DISTRICTS

Cambria Community Services District, CA
Cuyama Community Services District, CA
Groveland Community Services District, CA
Heritage Ranch Community Services District, CA
Los Alamos Community Services District, CA
Nice Community Services District, CA
Rancho Murieta Community Services District, CA
Santa Ynez Community Services District, CA
Vandenberg Village Community Services District, CA

RECREATION AND PARK DISTRICTS

Conejo Recreation and Park District, CA
Isla Vista Recreation and Park District, CA
Mountains Recreation and Conservation Authority, CA
Rancho Simi Recreation and Park District, CA
Hayward Recreation and Park District, CA

BUILDING AUTHORITY

County of San Diego Regional Building Authority, CA

FIRE PROTECTION DISTRICTS

Cayucos Fire Protection District, CA
Lakeport Fire Protection District, CA
Orcutt Fire Protection District, CA

OTHER DISTRICTS

Beach Cities Health District
County of San Diego Emergency Services Organization
County of San Diego First 5 Commission
County of San Diego In-Home Supportive Services
Public Authority
County of San Diego Health and Human Services Agency
Child Development Program Grant
County of San Diego MIOCR Grant
County of San Diego RLETC Grant
County of Los Angeles Delta Sigma Theta, Head Start
Program, Inc.
County of San Diego DA Office of Auto Ins. Fraud
Grant, Urban Auto Fraud Grant, WC Ins Fraud Grant
Desert Healthcare District
Los Angeles County Flood Control District
Marin/Sonoma Mosquito and Vector Control District
San Diego Geographic Information Source
Tracy Area Public Facilities Financing Agency
West Contra Costa Integrated Waste Management
Authority

TRANSPORTATION DEVELOPMENT ACT

Arroyo Grande, CA
Calexico, CA
El Centro, CA
Grover Beach, CA
Holtville, CA
Paso Robles, CA
San Luis Obispo County and Cities Area Planning
Council:
Local Transportation Fund
State Transit Assistance Fund
South County Area Transit, CA
South County/San Luis Obispo Transit, CA
Transportation Agency for Monterey County, CA
Transportation Authority of Marin
Association of Monterey Bay Area Governments
Santa Cruz Regional Transportation Commission

TRANSIENT OCCUPANCY TAX AUDITS

Represented the following municipalities and/or counties
in the audit of the hotel "bed tax" records:

Arroyo Grande, CA
Bellflower, CA
Bishop, CA
Calexico, CA
Carmel, CA
Ojai, CA
Pismo Beach, CA
Santa Maria, CA
South Lake Tahoe, CA
Whittier, CA

Ron A. Levy, C.P.A. – Partner

- California licensed C.P.A. with 40 years of audit experience with governmental and non-profit entities
- Technical (Concurring)/Engagement Partner in charge of all governmental and non-profit audits, currently including 35 school district audits, 12 non-profit, 4 charter schools, 32 municipal audits, and over 75 special district audits
- Has assisted governmental clients with year-end closing, key position interviews, preparation of award winning CAFRs, and preparation of State Controller's Reports
- Has met or exceeded all continuing education requirements, including recent courses in the following:
 - 2019, 2018, and 2017 School District Conference*
 - 2019, 2018, and 2017 Governmental Accounting Conference*
 - GASB 34 Training Seminars*
 - Planning a Governmental Audit Engagement*
 - Auditor's Reports on Audits of Local Governments*
 - Governmental Accounting Update*
 - Audits of State and Local Governments*
 - Compliance Auditing, Auditing Sampling, and Concluding the Audit*
 - The Single Audit Act*
- Member of the following:
 - American Institute of Certified Public Accountants
 - California Society of Municipal Finance Officers
 - California Society of Certified Public Accountants
 - California Association of School Business Officials
 - Kiwanis Club
- Bachelor of Science degree from Oregon State University, was conferred in 1977
- Taught accounting courses at a branch of La Verne College and Chapman College
- Knowledgeable in all areas of tax law including non-profit tax issues

Craig A. Hartzheim, C.P.A. – Partner

- California licensed C.P.A. with 36 years of audit experience with governmental, non-profit, and commercial entities
- Engagement/Technical (Concurring) Partner for governmental and non-profit audits (Culver City office), currently including 12 school district audits, 17 municipal audits, and 40 special district audits (including Los Angeles County Flood Control District and the County Sanitation Districts of Los Angeles County)
- Has assisted governmental clients with year-end closing, key position interviews, preparation of award winning CAFRs, and preparation of State Controller's Reports
- Has met or exceeded all continuing education requirements including recent courses in the following:
 - 2019, 2018, and 2017 School District Conference*
 - 2019, 2018, and 2017 Governmental Accounting Conference*
 - Audits of States and Local Governments*
 - Preparing Governmental Financial Statements*
 - Yellow Book, Government Auditing Standards*
 - GAAS Guide*
 - Other Comprehensive Basis of Accounting (OCBOA) Statements*
 - Audit Standards update*
 - Implementing SAS 112*
 - Implementing SAS 114*
 - Auditing update*
 - Grants Management*
- Bachelor of Science degree in Accounting from Marquette University, was conferred in 1982
- Member of the following:
 - American Institute of Certified Public Accountants
 - California Society of Certified Public Accountants
- Knowledgeable in all areas of tax law including non-profit and payroll tax issues

Hadley Y. Hui, C.P.A. – Partner

- California licensed C.P.A. with 20 years of audit experience with governmental, non-profit, and commercial entities
- Engagement Partner in charge of 10 non-profit, 20 school districts and related audits, 11 municipal audits, 26 special district audits, and 8 special audits for the County of San Diego
- Supervisor for the CSS and DPSS Monitoring Projects for Los Angeles County
- Has met or exceeded all continuing education requirements including recent courses in the following:
 - 2019, 2018, and 2017 School District Conference*
 - 2019, 2018, and 2017 Governmental Accounting Conference*
 - 2019, 2018, and 2017 Single Audit Compliance*
 - GASB 34 Training Seminars*
 - Risk-Based Auditing Part 1, Part 2*
 - 2009 Accounting and Auditing Update*
 - Guide to Auditing Control Course 1, Course 2*
- Extensive knowledge of database systems, networking, and various accounting software
- Bachelor of Arts degree in Economics with a minor in Accounting from University of California – Los Angeles was conferred in 1997
- Member of the following:
 - American Institute of Certified Public Accountants*
 - California Society of Certified Public Accountants*
- Knowledgeable about all areas of tax law including non-profit and payroll tax issues

Edward R. Eisenhower, C.P.A. – Senior Accountant

- California licensed CPA with 25 years of experience, and 10 years of audit experience with governmental, non-profit, and commercial entities
- Auditor for 8 non-profit, 18 municipal audits, and 9 special district audits
- Has met or exceeded all continuing education requirements including recent courses in the following:
 - 2019, 2018, and 2017 Governmental Accounting Conference*
 - 2019, 2018, and 2017 School District Conference*
 - Accounting and Auditing Standards Update: Risk Assessment Standards*
 - Advanced Audit Standards Workshop: Understanding Risk Assessment*
 - GAAS Update*
 - Auditors' Responsibilities for Detection of Fraud*
 - Internal Control and Fraud in Governmental Engagements*
 - Government Auditing Standards – Yellow Book*
 - Implementing SAS 112 & 114*
 - Advanced Fraud Techniques*
 - Grants Management*
- Bachelor of Science degree in Accounting from University of Wisconsin – Whitewater conferred in 1982
- Knowledgeable about all areas of tax law including non-profit and payroll tax issues

Cody Hartzheim – Senior Accountant

- Auditor with 6 years of audit experience with governmental and commercial entities
- Auditor for 6 non-profit, 10 municipal audits, 11 special district audits, and 4 school district audits
- Has met or exceeded all continuing education requirements including recent courses in the following:
 - 2019, 2018, and 2017 School District Conference*
 - 2019, 2018, and 2017 Governmental Accounting Conference*
 - 2019, 2018, and 2017 GAAS Update*
 - Auditors' Responsibilities for Detection of Fraud*
 - Internal Control and Fraud in Governmental Engagements*
 - Government Auditing Standards – Yellow Book*
 - Implementing SAS 112 & 114*
 - Grants Management*
- Bachelor of Science in Accounting and Finance from Marquette University, was conferred in 2013

DESERT HEALTHCARE DISTRICT
APPENDIX C – PEER QUALITY REVIEW REPORT

Our Peer Review included reviews of governmental, water districts, school districts, and non-profit engagements. The Firm's 2018 Quality Review Report is in the review stage with the Peer Reviewer.



POWELL & SPAFFORD, INC.
CERTIFIED PUBLIC ACCOUNTANTS

Jessie C. Powell, CPA (Ret.)
Patrick D. Spafford, CPA

Licensed by the California Board of Accountancy
Member American Institute of Certified Public Accountants

System Review Report

To the Partners of
Moss, Levy & Hartzheim, LLP
and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Moss, Levy & Hartzheim, LLP (the firm) in effect for the year ended December 31, 2014. Our review was conducted in accordance with standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards* and audits of employee benefit plans.

We noted the following deficiencies during our review:

1. *Deficiency* – The firm does not have quality control policies and procedures to address the form and content of workpaper documentation or a related file review process by the engagement partner for its audit engagements, including audits of employee benefit plans and audits subject to *Government Auditing Standards*. As a result, we noted documentation deficiencies on the engagements reviewed in the following areas: 1) compliance payroll testing for an ERISA audit engagement; 2) proper testing of certain major program compliance requirements, low risk determination and fraud considerations; 3) the 80 hour requirement for engagements performed under *Government Auditing Standards* was not met for certain engagement team members; and 4) lock down of audit files. The firm also did not perform annual monitoring that properly covered all areas of quality control. There were documentation issues noted in the firm's previous peer review. The firm will perform the required procedures when subsequent engagements are performed, which is imminent.

Recommendation – We recommend that the firm modify its current policies and procedures to include a mechanism for assuring the firm's documentation is properly prepared, reviewed and included in the work files. The firm should also expand on its monitoring procedures to cover these areas.

In our opinion, except for the deficiency described above, the system of quality control for the accounting and auditing practice of Moss, Levy & Hartzheim, LLP in effect for the year ended December 31, 2014, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency (ies)* or *fail*. Moss, Levy & Hartzheim, LLP has received a peer review rating of *pass with deficiencies*.

July 22, 2015

447 Missouri Court • Redlands, CA 92373 • P.O. Box 8847 • Redlands, CA 92375
Telephone 909-792-1852 • Fax 909-792-2015

DESERT HEALTHCARE DISTRICT
APPENDIX D – COST PROPOSAL

1) TOTAL ALL-INCLUSIVE MAXIMUM PRICE

The total All-Inclusive Maximum Price is after a discount. The Total All-Inclusive Maximum Price for the proposal shall not exceed the following:

Name of Firm	Moss, Levy & Hartzheim, LLP
Address	5800 Hannum Avenue, Suite E
	Culver City, CA 90230
Contact Name	Craig A. Hartzheim, CPA
Contact Phone #	(310) 670-2745
Fax #	(310) 670-1689
Contact E-mail	mlhbh@mlhcpas.com

Desert Healthcare District	
	FY 2019- 20
DHCD Audit	\$ 19,400
Discount	(650)
Total for Fiscal Year (not-to exceed)	\$ 18,750

Desert Healthcare Foundation	
	FY 2019- 20
DHF Audit	\$ 9,110
Discount	(1,180)
Total for Fiscal Year (not-to exceed)	\$ 7,930

Desert Hospital Retirement Protection Plan	
	FY 2019- 20
RPP Audit	\$ 6,170
Discount	(695)
Total for Fiscal Year (not-to exceed)	\$ 5,475

Future year fee increases will not exceed 3% as long as DHCD activity does not increase by an extraordinary amount.

Our firm will be accessible throughout the year to answer any questions without any form of billing.

DESERT HEALTHCARE DISTRICT
APPENDIX D – COST PROPOSAL

**2) RATES BY PARTNER, MANAGER, SUPERVISORY AND STAFF LEVEL TIMES HOURS
 ANTICIPATED FOR EACH**

SCHEDULE OF PROFESSIONAL FEES AND EXPENSES

FOR THE AUDIT OF THE 2019-20 DESERT HEALTHCARE DISTRICT FINANCIAL STATEMENTS
 AND PREPARATION OF STATE CONTROLLER'S REPORT

	Hourly Rates	Hours	Total
Partners	\$ 175	30	\$ 5,250
Manager	135	40	5,400
Senior	115	38	4,370
Staff	90	42	3,780
Other (specify):			
Clerical	60	10	600
Discount			(650)
Total		160	\$ 18,750

SCHEDULE OF PROFESSIONAL FEES AND EXPENSES

FOR THE AUDIT OF THE 2019-20 DESERT HEALTHCARE FOUNDATION FINANCIAL
 STATEMENTS

	Hourly Rates	Hours	Total
Partners	\$ 175	14	\$ 2,450
Manager	135	18	2,430
Senior	115	18	2,070
Staff	90	20	1,800
Other (specify):			
Clerical	60	6	360
Discount			(1,180)
Total		76	\$ 7,930

DESERT HEALTHCARE DISTRICT
APPENDIX D – COST PROPOSAL

**2) RATES BY PARTNER, MANAGER, SUPERVISORY AND STAFF LEVEL TIMES HOURS
 ANTICIPATED FOR EACH (CONTINUED)**

SCHEDULE OF PROFESSIONAL FEES AND EXPENSES

FOR THE AUDIT OF THE 2019-20 DESERT HOSPITAL RETIREMENT PROTECTION PLAN
 FINANCIAL STATEMENTS PREPARATION AND FILING OF TAX RETURNS AND STATE
 CONTROLLER'S REPORT

	Hourly Rates	Hours	Total
Partners	\$ 175	10	\$ 1,750
Manager	135	14	1,890
Senior	115	10	1,150
Staff	90	14	1,260
Other (specify):			
Clerical	60	2	120
Discount			(695)
Total		50	\$ 5,475

3) PROFESSIONAL RATES FOR ADDITIONAL SERVICES

Schedule of Professional Fees for Additional Services	Standard Hourly Rates	Quoted Hourly Rates
Partner	\$ 225	\$ 175
Manager	155	135
Supervisory Staff	125	115
Staff Accountant	115	90
Clerical	75	60

4) MANNER OF PAYMENT

Progress payments will be made on the basis of hours work completed during the course of the engagement and out-of-pocket expenses incurred in accordance with Moss, Levy & Hartzheim, LLP's cost proposal. Interim billing shall cover a period of no less than one calendar month.

Respectfully submitted,



Hadley Y. Hui, CPA
Partner

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

2003 to Present

(650 Hours)

Audit of Basic Financial Statements (all 25 Districts)- Comprehensive Annual Financial – GFOA
Certificate of Achievement – GASB Standards 34 & 75, and Single Audit

Engagement Partner – Hadley Y. Hui, CPA

Contact: Alan Nyberg (562) 908-4288, ext. 1103

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

2017 to Present

(550 Hours)

Audit of Basic Financial Statements, Single Audit & Measures BB, ES

Engagement Partner – Hadley Y. Hui, CPA

Contact: Gerardo Cruz, MPA (310) 450 8338 ext. 70255

CITY OF EL CENTRO

2007 to Present

(450 Hours)

Audit of Basic Financial Statements, Former Redevelopment Agency, Single Audit Report, and GANN
Limit Review Report, and Preparation of City's State Controller Report

Received GFOA Certificate of Achievement in Financial Reporting

Contact: Leticia Salcido, Finance Director; (760) 337-4573

Engagement Partner – Craig A. Hartzheim, C.P.A

FOOTHILL MUNICIPAL WATER DISTRICT

2007 to Present

(265 Hours)

Audit of basic Financial Statements- GASB Standards

Contact: Karen Oblak; (818) 790-036

Partner – Craig A. Hartzheim, C.P.A

PROPOSAL FOR PROFESSIONAL SERVICES

FOR

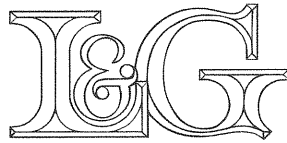
DESERT HEALTHCARE DISTRICT,
DESERT HEALTHCARE FOUNDATION

AND

DESERT HOSPITAL RETIREMENT
PROTECTION PLAN

Submitted by: Gary Dack, Partner
Lund & Guttry, CPAs
36917 Cook Street, Suite 102
Palm Desert, CA 92211
(760) 568-2242

January 2, 2020



LUND & GUTTRY LLP / CERTIFIED PUBLIC ACCOUNTANTS

36917 COOK STREET • SUITE 102 • PALM DESERT, CALIFORNIA 92211

Telephone (760) 568-2242 • Fax (760) 346-8891

www.lundandguttry.com

January 2, 2020

Mr. Chris Christensen, CPA
Desert Healthcare District
1140 N. Indian Canyon Drive
Palm Springs, CA 92262

Dear Mr. Christensen:

We, at Lund & Guttry, are pleased to have this opportunity to present this proposal to provide professional services to the Desert Healthcare District, Desert Healthcare Foundation and Desert Hospital Retirement Protection Plan. We are looking forward to serving you, and assure you of our sincere commitment to provide you with a full range of the highest quality of professional services.

WHY LUND & GUTTRY

After speaking with you and discussing your business concerns and needs, we feel that Lund & Guttry is the best firm to help you meet these needs. Our experienced team is committed to providing you with value-added service. The following is a summary of the key reasons why Lund & Guttry should be your CPA firm:

1. Quality of Service

Lund & Guttry has the distinction of being the CPA firm established the longest in the Coachella Valley. We celebrated our 65th anniversary in 2018. The reason for our long-term success is that we consistently provide quality service to our clients. A key indicator of client satisfaction is their long-term relationship with us. We have grown along with many of our clients by providing the necessary value-added services to help them become more successful. Our firm specializes in performing audits of several not-for-profit agencies and special districts throughout the Coachella Valley. We previously performed audit and tax services for the above organizations, from 2005 through 2013.

2. Timing of Service

Lund & Guttry has always been able to provide timely service to our clients. As a full service firm in one geographic location, we are accessible and able to respond to our clients' needs, and expedite decisions, which results in timely solutions. With our proximity in Palm Desert, and continuity of our team members working on your account, we are able to respond immediately to your needs.

3. Full Service Support

Lund & Guttry is a 15 person full service CPA firm. Our trained personnel will be able to provide the services that The District and Foundation require. Our team members' experience includes "Big 4" national and local CPA firms, and a variety of experiences in private industry. Our expertise performing not-for-profit agency and special district audits will result in a quality and effective audit for your organization.

FIRM QUALIFICATIONS AND EXPERIENCE

Lund & Guttry was formed in 1953, and is located in Palm Desert. We are a full service accounting firm providing auditing, accounting and tax services along with management advisory services and computer consulting. The firm consists of five partners; Gary Dack and Shannon Maidment (Audit partners) and Keith Lyrle, Mary Brock and Marie Snyder (Tax partners), and ten professional, and support team members. We have experienced a great deal of growth over the last several years which is the direct result of providing our clients with the highest quality of professional services on a timely basis.

Lund & Guttry has clients in various industries and businesses including not-for-profit, special districts, and hospitality. Our success with each of our clients has been measured by providing timely service and working closely with management and the Board of Directors throughout the year.

PERSONAL QUALIFICATIONS AND EXPERIENCE

Gary Dack will have the responsibility for the professional services provided to The District and Foundation. A brief background of his experience and qualifications along with Andrea Oliveri, audit supervisor, are as follows:

Gary W. Dack, CPA

Position	-	Audit and Accounting Partner
Education	-	B.A., Accounting, California State University - Fullerton
Background	-	31 years Lund & Guttry, CPA's Palm Desert, CA
	-	5 years Ernst & Whinney, CPA's Riverside, CA
	-	5 years Soren, McAdam, Bartells, CPAs, Redlands, CA
Experience	-	Audit partner on majority of firms' not-for-profit and special district audit clients
	-	Past Treasurer and Member of Board of Directors of United Way of the Desert
	-	Past Treasurer and Member of Board of Directors of Indian Wells Rotary Club
	-	Audit partners on audit and tax services performed on District and Foundations from 2005 to 2013

Andrea Oliveri, MSA, CPA

Position - Audit Supervisor

Education - M.S. Accounting, California State University - San Bernardino
(Palm Desert Campus) – 2014

Background - Began with Lund & Guttry, CPAs, Palm Desert, CA in July 2015

Experience - While at Lund & Guttry she works 100% exclusively on audits year round on not-for-profits, country clubs, and associations within the Coachella Valley

Our firm performs over 60 audits on an annual basis, so we have a 2nd audit partner, Shannon Maidment, who oversees the audit practice full time, along with Gary Dack. A brief background of her experience and qualifications for future audit partners rotation considerations is as follows:

Shannon Maidment, CPA

Position - Audit and Accounting Partner

Education - B.S. Accounting, California State University - San Bernardino
(Palm Desert Campus) - 2009

Background - 11 years Lund & Guttry, CPAs, Palm Desert, CA

Experience - While at Lund & Guttry she works 100% exclusively on audits year round on not-for-profits, employee benefit plans, country clubs, and associations within the Coachella Valley

CLIENT REFERENCES

A brief list of selected not-for-profit, special district and employee benefit plan clients that we provide auditing services for are as follows:

Mission Springs Water District (1982-2019)	Matt McCue	(760) 660-4331
HARC, Inc.	Jenna LeComte-Hinely	(760) 404-1945
Coachella Valley Volunteers in Medicine	Doug Morin	(760) 625-0760
Ranch Recovery Center	Rick Mesa	(760) 329-2924
Jewish Family Services	Maureen Forman	(760) 325-4088 (ext. 106)
Boys & Girls Club of Coachella Valley	Jody Brazil	(760) 836-1160 (ext. 104)
Desert ARC 401(k) Plan	Robin Keegan	(760) 346-1611 (ext. 203)

We perform over 60 audits annually of various not-for-profit, special districts, employee benefit plans, and hospitality organizations in the Coachella Valley.

PROPOSED SERVICES

Our proposed services and not to exceed fees for the year ended June 30, 2020, is as follows:

Desert Healthcare District:

- | | |
|---------------------------------|-----------|
| • Audit of Financial Statements | \$ 15,000 |
| • State Controllers Report | \$ 750 |

Desert Healthcare Foundation:

- | | |
|---|----------|
| • Audit of Financial Statements | \$ 9,000 |
| • Preparation of Foundation Tax Returns | \$ 2,500 |

Desert Hospital Retirement Protection Plan:

- | | |
|---------------------------------|----------|
| • Audit of Financial Statements | \$ 5,000 |
| • State Controllers Report | \$ 500 |

Fees for additional professional services will be based on our standard hourly rates ranging from partners (\$260), managers (\$150), supervisors (\$125) and staff (\$90 to \$100). We do not charge for quick questions or phone calls unless, research is required in excess of approximately over an hour. Our annual fee increases typically range from 3% to 5%,

Our estimated hours by staff is as follows:

- | | |
|--------------------|----------------|
| • Audit Partner | 60 hours |
| • Audit Supervisor | 100 hours |
| • Audit Staff | 90 hours |
| • Tax Manager | 10 hours |
| • Tax Partner | 2 hours |
| • Clerical Support | <u>8 hours</u> |
| Total | 270 hours |

ADDITIONAL INFORMATION

Our audit staffing has had limited turnover in the past as our audit partners have been with the firm for 31 years and 11 years; our audit supervisor has been with the firm for 5 years, our tax manager (who was previously, our Audit In-charge) has been with the firm for 8 years and our audit staff was with the firm for 2.5 years before her planned departure in January 2020 (she will be replaced)

The audit team for Lund & Guttry CPAs consists of five (5) auditors, of which three (3) continue to manage audits during tax season. This allows us to provide all of our clients the best possible service year round regardless of the client's yearend. We also have two (2) audit partners which offers the ability to provide partner rotation on the jobs we perform for several years. Although partner and auditor rotation is not required in private industry, many clients seek to have a "fresh eye" after a few years of the same firm.

Lund & Guttry CPAs and all of our personnel are independent of Desert Healthcare District and Foundation.

Lund and Guttry CPAs has not had any litigation alleging negligence or breach of independence currently or closed within the past three years.

Lund & Guttry CPAs successfully received its peer review report with "Pass with Deficiencies" and was the first firm in the Coachella Valley to have successfully completed the review. Gary Dack performed over 150 peer reviews of other California CPA Firms between 1991 and 2004. (See exhibit for most recent peer review report)

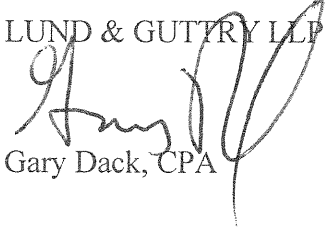
Our approach to the audit would be to schedule 2-3 days in May or June to perform advance planning and preliminary interim procedures; perform yearend audit procedures in late July or early August; draft financial statements and discuss with management by end of September and present results of the annual audit at the October "Board of Directors" and "Finance & Administration Committee" meetings.

We are confident that our firm has the experience to provide you with the highest quality of professional services available. If you should have any questions, please call us.

If you would like us to proceed with the services, please call either of us and we will prepare an engagement letter for your signature.

Very truly yours,

LUND & GUTTRY LLP


Gary Dack, CPA

GD/bld
Enclosure

EXHIBIT

REPORT ON THE FIRM'S SYSTEM OF QUALITY CONTROL

June 8, 2017

Lund & Gutry LLP
and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Lund & Gutry LLP (the firm) in effect for the year ended November 30, 2016. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under Government Auditing Standards, including compliance audits under the Single Audit Act and audits of employee benefit plans. As part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Deficiencies Identified in the Firm's System of Quality Control

We noted the following deficiency during our review:

The firm's quality control policies require that all audit procedures be properly documented, but its quality control procedures have not been suitably designed to ensure that audit documentation is completed to conform with professional standards.

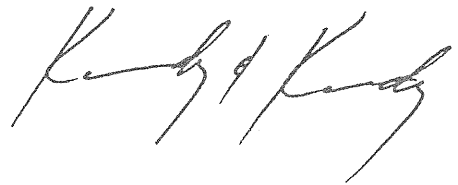
During our review of a Single Audit Act engagement, we noted inadequate documentation of tests of compliance and tests of controls over compliance for applicable compliance requirements and the schedule of expenditures of federal awards. The evaluation of auditor independence and the risk of material noncompliance were not documented as required by *Government Auditing Standards*. The evaluation of independence was also noted as a deficiency in the firm's prior peer review.

During our review of an employee benefit plan audit, we noted that user controls were considered but tests of those controls were not documented. We also noted that the firm's sampling plan was not documented in accordance with professional standards.

In our opinion, this contributed to our conclusion that audits performed in accordance with the Single Audit Act and employee benefit plan audits did not conform with professional standards in all material respects.

Opinion

In our opinion, except for the deficiency previously described, the system of quality control for the accounting and auditing practice of Lund & Gutry LLP in effect for the year ended November 30, 2016, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of pass, pass with deficiencies, or fail. Lund & Gutry LLP has received a peer review rating of pass with deficiency.

A handwritten signature in black ink, appearing to read "K. G. & K. G.", is located in the lower right portion of the page. The signature is stylized and cursive.



Date: February 11, 2020

To: Finance & Administration Committee

Subject: Lease Assignments between Desert Regional Medical Center - DRMC (Assignor) and First Choice Physician Partners - FCPP (Assignee) Suite 2W 201-202 and Suite 3E 101-102

Staff Recommendation: Consideration to approve the draft lease assignments between Desert Regional Medical Center - DRMC (Assignor) and First Choice Physician Partners - FCPP (Assignee) Suite 2W 201-202

Background:

- **Suite 2W 201-202**
 - The District executed a 10- year lease with DRMC on September 22, 2015
 - The suite housed DRMC's Human Resources department for a period of time. Otherwise, the suite has remained vacant.
- **Suite 3E 101-102**
 - The District executed a 10-year lease with DRMC commencing on May 1, 2015
 - The suite has remained vacant since the commencement date
 - DRMC now desires to assign both leases to FCPP
 - DRMC will remain the guarantor should FCPP default on the lease payments

Fiscal Impact:
None

**ASSIGNMENT OF LEASE
Suite 2W 201-202**

THIS ASSIGNMENT OF LEASE (“Assignment”) is made and entered into by and between **Desert Regional Medical Center, Inc.** (“Assignor”), and First Choice Physician Partners (“Assignee”).

W I T N E S S E T H:

WHEREAS, Assignor as Lessee and Desert Healthcare District, d.b.a. Las Palmas Medical Plaza as Lessor (“Lessor”), entered into that certain Lease Agreement (“Lease”) dated September 22, 2015, a copy of which is attached hereto as Exhibit A and incorporated herein by this reference;

WHEREAS, Assignor represents and warrants that it is not in material default under the Lease, is current in any and all payments with respect to the Lease and is not aware of any claim made with respect to the Lease; and

WHEREAS, Assignor wishes to assign to Assignee all of its right, title, and interest under the Lease.

NOW, THEREFORE, for and in consideration of the recitals above and the mutual covenants and conditions contained herein, Assignor and Assignee agree as follows:

1. Assignor hereby assigns to Assignee all of Assignor’s right, title and interest under the Lease effective as of March 1, 2020 (“Effective Date”).

2. Assignor understands and agrees that this Assignment does not relieve Assignor of its obligations to Landlord under the terms and conditions of the September 22, 2015 Lease and in the event that Assignee defaults in the payment of rent, Assignor shall be responsible for payment.

3. Assignee hereby accepts the foregoing Assignment and agrees to assume and perform all of Assignor’s obligations under the Lease from and after the Effective Date.

4. Assignee agrees to indemnify and hold harmless Assignor from and against all costs, expenses, liabilities, losses, damages or obligations incurred by or imposed upon Assignor for claims arising under the Lease on or after the Effective Date. Assignor agrees to indemnify, defend, and hold harmless Assignee from and against all costs, expenses, liabilities, losses, damages or obligations incurred by or imposed upon Assignee for claims arising under the Lease prior to the effective date hereof.

5. This Assignment shall be binding upon the parties, their successors and assigns and the parties shall execute and deliver such further and additional instruments, agreements and other documents as may be necessary to evidence or carry out the provisions of this Assignment.

6. This Assignment shall be governed by the laws of the state of California.

DRAFT

7. This Assignment may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

ASSIGNOR:

By: _____
Name: Michele Finney
Title: President and Chief Executive Officer
Date: _____

ASSIGNEE:

By: _____
Name: Jeff Henderson
Title: President/CEO
Date: _____

EXHIBIT A

LEASE

As Attached

A

LAS PALMAS MEDICAL PLAZA

COMMERCIAL LEASE

ARTICLE 1. PARTIES

1.01 THIS LEASE, is made and entered into as of the later of **September 22, 2015**, or the execution of the Agreement by both parties (the "effective Date") by and between **Desert Healthcare District, d.b.a. Las Palmas Medical Plaza** hereinafter referred to as "Landlord", and **Desert Regional Medical Center, Inc.** hereinafter referred to as "Tenant".

ARTICLE 2. LEASED PREMISES

2.01 Description. Landlord leases to Tenant, and Tenant hires from Landlord, for the term, at the rental, and upon the conditions in this Lease, the medical office space located at **555 E. Tachevah Drive, Building 2 West, Suites 201 & 202** consisting of a total of **2,340 sq. ft., Palm Springs, California 92262** hereinafter referred to as the "Premises". Said space is a portion of the medical office building commonly known as Las Palmas Medical Plaza, Palm Springs, California (the Building).

2.02 Intent. To provide cardiac therapy to patients of the Cardiovascular Services Department.

ARTICLE 3. TERM OF LEASE

3.01 Term of Months. The term of the Lease shall be for a period of One Hundred and Twenty (120) calendar months.

3.02 Commencement of Term

A. *Definition* The term Commencement Date, as used in this Lease, shall be construed to mean the earlier of the 1st day of December, 2015, or the completion of the Tenant improvements, as agreed upon by Landlord and Tenant.

3.03 Holding Over. Holding over after the expiration of the term of this Lease, or any oral extension thereof, with the consent of Landlord, shall be a tenancy from month to month not to exceed 90 days, and the rentals and additional rentals upon the covenants, conditions, limitations, and agreements are subject to the exceptions and reservations contained in this Lease.

3.04 Termination of Changes in Law. If any Authority passes, issues or promulgates any new, or changes any existing, Applicable Law (each, a "Legal Event") that a Party (the "Noticing Party") reasonably believes (i) materially and adversely affects either Party's licensure, accreditation, certification, or ability to refer, accept any referral, present a bill or claim, or receive payment or reimbursement from any governmental or non-governmental payor, or (ii) requires further compliance activities of the other Party, then the Noticing Party may give the other Party 30 days prior written notice of its intent to amend or terminate this Lease. Notwithstanding the foregoing, the Noticing Party may propose an amendment to this lease to take into account the Legal Event, and, if accepted by the other Party prior to the end of the 30 day notice period, this Lease shall be amended as of the date of such acceptance and if not amended shall automatically terminate.

3.05 Termination Without Cause. On or after the fifth (5th) anniversary of the Commencement Date, either Party may, in its sole discretion, terminate this lease

without cause by giving the other Party at least one hundred eighty (180) days' prior written notice. If the terminating Party is the Tenant, Tenant Improvement Costs shall be reimbursed to Landlord on a prorated basis of the remaining unused lease period.

ARTICLE 4. RENT

4.01 Rent and Other Payments. Tenant agrees to and shall pay to Landlord at Palm Springs, California, or at such other place as Landlord shall from time to time in writing designate, as minimum annual rental for the Premises, the total sum of **Thirty-Seven Thousand, Nine Hundred and Eight Dollars and 00/100 (\$37,908.00)**, payable in Twelve (12) equal monthly installments of **Three Thousand, One Hundred and Fifty-Nine Dollars and 00/100 (\$3,159.00)** (and as the same may be modified as provided in Paragraph 4.02), each in advance on the first (1st) day of each calendar month after commencement of the term hereof. In addition to monthly rent Tenant shall pay its monthly pro-rata share of Common Area Maintenance Costs, Real Estate Taxes and Insurance (Triple Net Fees) as outlined in Article 5.02, 5.03, 5.04, and 5.05 presently estimated at \$.56 per leased square foot **One Thousand, Three Hundred and Ten Dollars and 40/100 (\$1,310.40)**, subject to annual adjustments and reconciliations thereto.

4.02 At the end of the first twelve (12) month period of this Lease and thereafter at the end of each twelve (12) month period the minimum monthly rental shall be as follows:

Second Year –	\$3,253.77 plus NNN per month
Third Year –	\$3,351.38 plus NNN per month
Fourth Year –	\$3,451.92 plus NNN per month

Fifth Year --	\$3,555.48 plus NNN per month
Sixth Year-	\$3,662.15 plus NNN per month
Seventh Year -	\$3,772.01 plus NNN per month
Eighth Year -	\$3,885.17 plus NNN per month
Ninth Year-	\$4,001.73 plus NNN per month
Tenth Year-	\$4,121.78 plus NNN per month

4.03 Security Deposit. Upon the execution of this Lease, Tenant will pay Landlord the sum of **Three Thousand, One Hundred and Fifty-Nine Dollars and 00/100 (\$3,159.00)** as security for the full, faithful, and timely performance of every provision of this Lease to be performed by Tenant. Said security deposit shall be refundable if Tenant leaves space in good repair, less normal wear and tear, at the expiration of this Lease unless any options are exercised or Lease is extended by mutual consent. The security deposit shall be held to expiration of extended Lease.

4.04 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 **Fifty Dollars (\$50.00) a square foot for a total of One Hundred Seventeen Thousand Dollars and 00/100 (117,000.00)** 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. Tenant shall ensure prevailing wages are paid on said work.

ARTICLE 5. UTILITIES AND TAXES

5.01 Utilities and Maintenance. Tenant shall pay for all gas, heat, light, power, telephone service, janitorial services, and any and all other utilities serving the Premises.

5.02 As additional rental Tenant shall pay 5.25% of the monthly cost of all exterior maintenance of the Building and grounds, including, but not limited to, parking lot maintenance, gardening service, elevator maintenance, roof maintenance and repair, water and electricity charges for common areas and parking lot, and all other expenses related to the exterior maintenance and repair of Las Palmas Medical Plaza, including a 10% administrative charge, but excluding any costs related to any leased space. This is included in the Common Area Maintenance fee charged monthly as additional rent. To the extent Landlord anticipates expenditures towards maintenance which are outside of the ordinary course, Landlord shall provide Tenant with at least ninety (90) days advance written notice of Landlord's plans as well as the anticipated costs of such non-

routine maintenance. Tenant shall pay to Landlord, Tenant's pro rata share of such expenses in the following manner:

A. Tenant shall pay Landlord on the first day of each calendar month of the term of this Lease an amount estimated by Landlord to be Tenant's pro rata share of such expenses. Landlord may adjust the estimated monthly charge on the basis of Landlord's experience and reasonably anticipated costs.

B. Within thirty (30) days following the end of each calendar year, Landlord shall furnish Tenant with a reconciliation of the total operating cost, the amount of Tenant's pro rata share of such common area expenses for such calendar year and the payments made by Tenant with respect to such period as set forth in subparagraph A. If the yearly reconciliation indicates that monthly payments made by Tenant are less than Tenant's pro rata share of actual total common area expense for the calendar year, Tenant shall pay to Landlord the amount of such difference within twenty (20) days after Tenant's receipt of notice of the amount due together with Landlord's yearly reconciliation and evidence of such actual costs. If the monthly payments made by Tenant are more than Tenant's pro rata share of actual total common area expense for the calendar year, Landlord shall credit the excess against Tenant's next rent payment(s) coming due, or if after the end of the Lease term, reimburse such amount to Tenant within twenty (20) days after final determination of the amount due.

5.03 Payment of Taxes and Assessments by Tenant. Tenant agrees to pay as additional rent and within thirty (30) days after written notice by Landlord, **5.25%** of any and all real property taxes and assessments, levied or assessed upon the Premises. **This is included in the Common Area Maintenance fee charged monthly as additional rent.**

5.04 Payment of Personal Property Taxes by Tenant. Tenant agrees to pay, before delinquency, all personal property taxes levied or assessed on Tenant's fixtures, furniture, appliances and personal property.

5.05 Payment of Fire Insurance by Tenant. Tenant agrees to pay as additional rental and within thirty (30) days after written notice by Landlord, 5.25% of the fire insurance premiums necessary to insure the Premises with standard form extended coverage fire insuring the Building to the extent of at least ninety percent (90%) of the full replacement cost of the Building and improvements thereon. This is included in the Common Area Maintenance fee charged monthly as additional rent.

ARTICLE 6. USE AND OCCUPANCY

6.01 Use. Tenant shall use the Premises solely for the purpose of the business of providing Primary Care and/or Mental Health medical education and/or Primary Care and/or Mental Health clinical services, and for no other purpose whatsoever without the prior written consent of the Landlord.

6.02 Restrictions on Tenant's Use. Tenant agrees, in using the Premises:

A. Waste. Not to commit any waste or suffer any waste to be committed upon the Premises;

B. Nuisance. Not to commit any public or private nuisance or any other act or thing that might or would disturb the quiet enjoyment of any other tenant of the leased premises or any occupancy of nearby property;

C. Insurance Risks. Not to keep, use, sell or offer for sale on the Premise any article, or conduct any activity thereon, which may be prohibited by the standard form of fire insurance policy, and, if Tenant does keep, use, sell or offer for sale

any such article, or if any acts are performed on the Premise by Tenant which increase the rate of fire insurance premiums attributable thereto on demand.

D. X-Ray and Laboratory Equipment Not to operate any x-ray equipment (dental x-ray equipment excepted), nor any pathology laboratory, nor any laboratory equipment whatsoever, without the prior written consent of Landlord, except in connection with the provision of medical services to the patients of the medical group practicing on the Premises.

ARTICLE 7. TRADE FIXTURES AND SIGNS

7.01 Installation. Tenant may install in and affix to the Premises such fixtures and equipment only as Landlord shall approve in writing, which approval shall not be unreasonably withheld.

7.02 Removal. Not later than the expiration of the time within which under any provision of this Lease Tenant is required to surrender possession of the Premises to Landlord, Tenant may, and if prior to the expiration of such time Landlord gives written notice requiring Tenant to do so, Tenant shall remove all trade fixtures installed in the Premises by Tenant. All trade fixtures not removed within such time shall become and remain the property of Landlord. The removal of such trade fixtures shall be effected solely at the expense of Tenant, and in a manner satisfactory to Landlord and without injury or damage to the Premises or the Building, and Tenant covenants to repair immediately, at Tenant's expense, any injury or damage caused by such removal.

7.03 Signs. Tenant may, at its expense, erect on the Premises such signs as Landlord may approve in writing and as comply with applicable laws, regulations and ordinances.

ARTICLE 8. ALTERATIONS, REPAIRS, RESTORATION

8.01 Consent of Landlord to Alterations. Tenant shall make no installations, additions or improvements in or to the Premises, except as otherwise authorized in this Lease, or structural alterations or changes either to the interior or exterior of the Building on the Premises, or in the bearing walls, supports, beam or foundations without the written consent of the Landlord.

8.02 Tenant to Pay Alteration Cost. All installations, additional, or improvements, and alterations and changes made, with the consent of the Landlord, after Tenant occupies the Premises, shall be made at the sole cost and expense of Tenant.

8.03 Alterations Required by Law. If, during the term of this Lease, any additions, alterations or improvements in or to the Premises, as distinguished from repairs, are required by governmental regulations because of the use to which the Premises are put by Tenant and not by reason of the character or structure of the Building, they shall be made and paid for by Tenant.

8.04 Surrender or Removal of Improvements. All alterations, additions or improvements which are made in or to the Premises shall be the property of Landlord upon the termination of this Lease, unless prior to such termination Landlord gives Tenant written notice to remove some or all thereof, in which case Tenant shall cause the items so designated to be removed and the Premises to be restored to their condition at the commencement of Tenant's Lease, normal wear and tear excepted, all at the expense of the Tenant.

8.05 Maintenance and Repairs by Tenant. Tenant agrees during the term hereof to keep and maintain at tenants expense the Premises and every part thereof in and

about the Premises in good order, condition, and repair, including, without limiting the foregoing, all fixtures, interior walls, floors, ceilings, sides, plumbing, all interior building appliances and similar equipment, windows, doors and plate glass.

8.06 Mechanic's Liens. Tenant agrees to pay promptly for all labor done or materials furnished for any work of repair, maintenance, improvements, alterations, or additions done by Tenant, in connection with the Premises, and to keep and to hold the Premises free, clear, and harmless of and from all liens that could arise by reason of any such work. If any such lien shall at any time be filed against the Premises, Tenant shall either cause the same to be discharged of record within twenty (20) days after the date of filing the same, or if Tenant in its discretion and in good faith, determines that such lien should be contested, Tenant shall furnish such security as may be necessary or required to prevent any foreclosure proceedings against the Premises during the pendency of such contest. If Tenant shall fail to discharge such lien within such period or fails to furnish such security, then, in addition to any other right or remedy, Landlord may, but shall not be obligated to, discharge the same, either by paying the amount claimed to be due or by procuring the discharge of such lien by deposit in court or by giving security or in such other manner as is or may be prescribed by law. Tenant shall repay to Landlord on demand all sums disbursed or deposited by Landlord in connection therewith. Nothing contained herein shall imply any consent or agreement on the part of the Landlord to subject Landlord's interest in the property, of which the Premises are a part of, to liability under any mechanic's lien law.

8.07 Notice of Non-responsibility. Landlord shall at all times have the right to post and to keep posted on the demised premises such notices provided for under the laws

of the State of California for the protection of the Premises from Mechanic's Liens of a similar nature.

8.08 Partial Destruction -- Repairs by Landlord. Should the Building be situated upon the Premises and the leasehold improvements be damaged or destroyed by fire, casualty, or hazard, then, if damaged or destroyed by fire, casualty, or hazard, then, if damage is so slight as not to interfere substantially with Tenant's use of the Premises, Tenant shall notify Landlord, who shall immediately, undertake to make repairs to the Building and improvements and restore the same to substantially the same condition as they were in immediately preceding such damage or destruction. Such work shall be done as rapidly as conditions permit. In the event such damage is so slight as not to interfere substantially with Tenant's uses of the Premises, there shall be no abatement of rent.

8.09 Total or Substantial Destruction -- Termination of Lease. Should there be total or substantial destruction and Premises are rendered unusable, either in whole or in part, either party shall have the right to terminate the Lease.

8.10 Rebuilding by Landlord. In the event neither party elects to terminate this Lease, Landlord shall, to the extent of available insurance proceeds, repair or rebuild such Building and improvements to substantially the same condition that they were in immediately preceding such damage or destruction.

8.11 Reduction in Rent. Tenant shall be entitled to a reasonable suspension or diminution of the fixed rent and the real property taxes and assessments payable hereunder during the entire time required for restoration and repair according to the

portion of the Premises rendered unusable, taking into consideration the time and extent of interference with the usual conduct of Tenant's business.

8.12 Use of Insurance Proceeds on Termination. Should either party elect to terminate this Lease, the proceeds of insurance on the Building and improvements shall be paid over to the Landlord, and such insurance proceeds shall be and become the sole and absolute property of Landlord. Nothing in this paragraph below shall be construed to require Tenant to pay over to Landlord proceeds of insurance on Tenant's personal property.

8.13 Use of Insurance Proceeds to Repair and Rebuild. Should either party elect to terminate this Lease, the proceeds of insurance on the Building and improvements shall be paid over to Landlord, and Landlord shall hold the same in trust for the purpose of repairing or rebuilding such Building and improvements to substantially the same condition that they were in immediately preceding such damage or destruction. In the event after such repair or rebuilding any of such insurance proceeds remains in the hands of Landlord, such balance shall be and become the sole and absolute property of Landlord.

8.14 Continuation of Operation. Tenant agrees to continue the operation of its business in the Premises to the extent reasonably practicable from the standpoint of good business during any period of reconstruction or repair.

ARTICLE 9. CONDEMNATION

9.01 Total Condemnation. If, during the term hereof, there shall be a "total taking" by a public authority under the power of eminent domain, then the leasehold estate of Tenant in the Premises shall cease and terminate as of the date actual physical

possession thereof shall be taken. "Total taking" is defined to be the taking of the entire Premises under the power of eminent domain or a taking of so much of the Premises as to prevent or substantially impair the conduct of Tenant's business therein.

9.02 Partial Condemnation. If, during the term thereof, there shall be a "partial taking" of the Premises, this Lease shall terminate as to the portion of the Premises taken upon the date which actual possession of the portion of the Premises is taken pursuant to eminent domain proceedings, but this lease shall continue in force and effect as to the remainder of the Premises. The rental payable by Tenant for the balance of the term, but not taxes and assessments, shall be abated in the ratio that the square footage of the floor area of the Building taken bears to the total floor area of the Building at the time of such taking. "Partial taking" is defined to be the taking of only a portion of the Premises under the power to eminent domain which does not constitute a "total taking" as defined in Section 9.01.

9.03 Allocation of Award. All compensation and damages awarded for the taking of the Premises or the common facilities, or any portion or portions thereof, shall, except as otherwise herein provided, belong to and be the sole property of Landlord, and Tenant shall not have any claim or be entitled to any award for diminution in value of its leasehold hereunder or for the value of any unexpired term of this Lease; provided, however, Tenant shall be entitled to any award that may be made for the taking of or injury to, or on account of any cost or loss Tenant may sustain in the removal of Tenant's merchandise, fixtures, equipment and furnishings.

9.04 Effect of Termination. If this Lease is terminated, in whole or in part, pursuant to any of the provisions of this Article 9, all rentals and other charges payable

by Tenant to landlord hereunder and attributable to the Premises taken, shall be paid up to the date upon which actual physical possession shall be taken by the condemner, and the parties shall thereupon be released from all further liability in relation thereto.

ARTICLE 10. INDEMNITY AND INSURANCE

10.01 No Liability of Landlord for Tenant's Acts. Landlord shall not be liable at any time for any loss, damage or injury to the property or person of any person whomsoever at any time occasioned by or arising out of any act or omission of the Tenant, or of anyone holding under Tenant or the occupancy or use of the Premises or any part thereof or the parking lot by or under the Tenant, or directly or indirectly from any state or condition of the Premises or any part during the term of this Lease.

10.02 Indemnification of Landlord. Notwithstanding anything to the contrary in this Lease and irrespective of any insurance carried by Tenant for the benefit of Landlord, Tenant agrees to protect, indemnify and hold Landlord and the Premises harmless from any and all damages or liabilities of whatsoever nature arising under the terms of this Lease or arising out of or in connection with (i) the operation carried on by Tenant on, or the use or occupancy of, the Premises by Tenant; (ii) any activity, work, or thing done or permitted by Tenant in or about the Premises; (iii) any breach by Tenant or its employees, agents, contractors, patients, or invitees of this Lease; (iv) any violation by Tenant or its employees, agents, or contractors, patients, or invitees of any laws relating to the confidentiality of patient records; and (v) any injury or damage to the person, property, or business of Tenant, its employees, agents, contractors, patients, or invitees entering upon the Premises in connection with the ordinary conduct of Tenant's business.

10.03 Tenant's Insurance. The Tenant shall carry and maintain, during the entire term hereof, at Tenant's sole cost and expense, the following types of insurance in the amount specified and in the form provided for in this section.

A. Public Liability and Property Damage. Broad-form comprehensive public-liability insurance with limits of not less than Five Hundred Thousand Dollars (\$500,000.00) per person and One Million Dollars (\$1,000,000.00) each occurrence, insuring against any and all liability of Tenant with respect to the Premises or arising out of the maintenance, use, or occupancy thereof, and property damage liability insurance with a limit of not less than One Hundred Thousand Dollars (\$100,000.00) each accident.

B. Delivery of Policy or Certificate. Tenant shall deliver to Landlord policies evidencing the insurance procured by Tenant, or deliver in lieu thereof certificates of coverage from the insurance company or companies writing the policy or policies of insurance, which certificates shall, among other things, designate the landlord as the certificate holder in the amounts provided above. Upon Landlord's written request, duplicate copies of such certificates of insurance shall be delivered to Landlord's mortgagees.

C. Notice of Cancellation. All insurance policies shall contain a provision that such policies shall not be canceled or terminated without ten (10) days prior notice from the insurance company to Landlord. Tenant agrees that on or before ten (10) days prior to expiration of any insurance policy, Tenant will deliver to Landlord written notification in the form of a receipt or other similar document from the applicable insurance company that said policy or policies have been renewed, or delivered

certificates of coverage from another good and solvent insurance company for such coverage.

D. Waiver of Subrogation Rights. Tenant shall procure an appropriate clause in, or an endorsement on, any policy of fire or extended coverage insurance covering the personal property, fixtures and equipment located in or on the Premises, pursuant to which the insurance companies waive subrogation or consent to a waiver of right of recovery against Landlord, and Tenant does hereby agree that it shall not make any claim against or seek to recover from Landlord any loss or damage to its property or the property of others, resulting from fire or other hazards covered by such fire and extended coverage insurance.

E. Tenant Self-Insurance. Notwithstanding anything to the contrary contained herein, Tenant shall be permitted the right to self-insure (or have its parent or an affiliate corporation self-insure), in whole or in part, any of the coverages required hereby for so long as: (i) Tenant (or its parent or affiliate insurer) has a net equity book value equal to or in excess of Twenty-Five Million Dollars (\$25,000,000) with at least Ten Million Dollars (\$10,000,000) of liquidity and (ii) Tenant (or its parent or affiliate as the case may be) maintains a self-insurance program which contains procedures governing the investigation, litigation, processing, funding of reserves, and payment of insurance claims, which procedures shall be consistent with those of third-party insurers. As an alternative to, or in connection with, maintaining self-insurance Tenant shall be entitled to satisfy the insurance requirements set forth in this Lease by obtaining insurance through an industry captive insurance company, provided that the policy limits of such insurance are at least equal to the policy amounts required under this Lease.

Tenant's captive insurance company shall not be required to meet any state or third party rating standards or other qualifications set forth in this Lease. Landlord acknowledges and agrees that Tenant may place its general and public liability insurance with an industry captive insurance company affiliated with Tenant and such placement shall satisfy the requirement set forth in this Lease to maintain general and public liability insurance. Tenant shall issue (or cause to be issued) to Landlord a certificate in form reasonably acceptable to Landlord evidencing any self-insurance being provided pursuant to this provision, including, without limitation, evidence that Landlord is an additional insured thereunder.

ARTICLE 11. ASSIGNMENT AND SUBLEASING

11.01 Landlord's Consent Required. Tenant shall not assign, mortgage, or hypothecate this Lease in whole or in part, not sublet all or any part of the Premises, without the prior written consent of Landlord in each instance, except as noted in Section 11.03. This prohibition against assigning or subletting shall be construed to include a prohibition against any assignment or subletting by operation of law.

11.02 Condition to Consent. As a condition to its consent, Landlord shall require Tenant to pay all expenses in connection with the assignment, continue to be responsible for payment of all rents due to Landlord under this Lease, and Landlord shall require Tenant's assignee to assume in writing the obligations of Tenant under this Lease.

11.03 Approval of Sublease. Landlord consents to the sublease of the said premises to First Choice Physician Partners, Inc., The Regents of the University of California, a California corporation, or any other physician or group practice in primary or specialty care, as applicable (individually or collectively referred to as "Transferee").

Tenant agrees to enter into and maintain one or more subleases with the Transferee(s) for the entire Premises, or with Landlord's approval anytime during the term of the lease, to a similarly established 501(c) 3 and/or public agency committed to providing Primary Care and/or Mental Health medical education and/or Primary Care and/or Mental Health clinical services. Tenant shall pay to Landlord one hundred percent (100%) of any "Transfer Premium." The term "Transfer Premium" shall mean all rent, additional rent or other consideration payable by such Transferee in connection with the sublease in excess of the rent payable by Tenant to Landlord during the period of this Lease following the sublease (and on a per square foot basis if less than all of the Premises is subleased).

11.04 Change of Ownership. The subsequent change in the ownership of fifty percent (50%) or more of the capital stock or other ownership interest of Tenant may be deemed a prohibited assignment by Landlord in its sole discretion within the meaning of this section. In the event Landlord does not deem the change in ownership of 50% or more a prohibited assignment, any subsequent owners shall be bound by the terms of this lease.

ARTICLE 12. DEFAULT AND REMEDIES

12.01 Termination for Tenant's Insolvency or Dissolution. This Lease may, at Landlord's sole discretion, be deemed repudiated and breached by Tenant if, during the term of this Lease:

- i. A petition to have Tenant adjudicated a bankrupt or a petition for reorganization or arrangement under any of the laws of the United States relating to bankruptcy be filed by Tenant, or be filed against Tenant, and if so filed against Tenant not be dismissed within thirty (30) days from the date of such filing;

2. The assets of Tenant or the business conducted by Tenant on the Premises be assumed by any trustee or other person pursuant to any judicial proceedings;

3. Tenant becomes insolvent or makes an assignment for the benefit of creditors;

4. Tenant commits any act of bankruptcy, or;

5. Any corporate Tenant or assignee or successor in interest of Tenant commences proceedings for winding up.

12.02 Landlord's Right of Termination, Reentry, Damages. Tenant expressly agrees that Landlord may, at its election, terminate this Lease in the event of the occurrence of any of the contingencies hereinabove described by giving no less than three (3) days written notice to Tenant and, when so terminated, Landlord may reenter the Premises, and the leasehold interest created by this Lease shall not be treated as an asset of Tenant's estate. It is further expressly understood and agreed that Landlord shall be entitled upon such reentry, notwithstanding any other provisions of this Lease, to exercise such rights and remedies and to recover from Tenant as damages for loss of the bargain resulting from such breach, and not as a penalty, such amounts as are specified in Section 12.03.

12.03 Default. Landlord may, at its option and without limiting Landlord in the exercise of any other right or remedy he may have on account of a default or breach by Tenant, exercise the rights and remedies specified in Section 12.03 if:

A. **Rent Default.** Tenant defaults in the payment of any money agreed to be paid by Tenant to Landlord for rent or to be paid for taxes and utilities or for any

other purpose under this Lease, and if such default continues for three (3) days after written notice to Tenant by Landlord;

B. Abandonment. Tenant abandons the Premises for a period of thirty (30) days;

C. Other Default. Tenant defaults in the performance of any other of its agreements, conditions, or covenants under this Lease and such default continues for thirty (30) days, plus such period of delay as Tenant may encounter in the performance of its agreements by reason of matters beyond the control of Tenant.

12.04 Remedies. On any breach, default or abandonment, Landlord may exercise any of the following rights after the periods of time stated in Section 12.02.

A. Continuation of Lease After Breach. Even though Tenant has breached this Lease and abandoned the property, this Lease continues in effect for so long as Landlord does not terminate Tenant's right to possession; and landlord may enforce all his rights and remedies under this Lease, including the right to recover the rent as it becomes due under this Lease. For the purposes of this Section, the following do not constitute a termination of Tenant's right to possession:

1. Acts of maintenance or preservation or efforts to relet the property.

2. The appointment of a receiver on initiative of Landlord to protect his interest in this Lease. Tenant may, at its option, transfer its interest hereunder in the following manner so long as Landlord has not terminated Tenant's right to possession; sublet the property, assign its interest in the Lease, or both, with the consent of Landlord, which consent shall not be withheld unreasonably.

B. Termination of Lease. Landlord may terminate this Lease, and recover from Tenant all damages permitted by Civil Code Section 1951.2 including the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss for the same period that the Tenant proves could be reasonably avoid, and in the event of such a termination said Section 1951.2 shall govern with respect to the rights, duties and liabilities of Landlord and Tenant.

12.05 No Waiver of Default. Landlord's failure to take advantage of any default or breach of covenant on the part of Tenant shall not be, or be construed as a waiver thereof, nor shall not be, or be construed as a waiver thereof, nor shall any custom or practice which may grow up between the parties in the course of administering this instrument be construed to waive or to lessen the right of Landlord to insist upon the performance by Tenant of any term, covenant or condition hereof, or to exercise rights given him on account of any such default.

12.06 Landlord's Right to Cure Default. If the Tenant shall be in default in the performance of any covenant on its part to be performed under this Lease, then after notice and without waiving or releasing Tenant from the performance thereof, Landlord may, but shall not be obligated so to do, perform any such covenant, and, in exercising any such right, pay necessary and incidental costs and expenses in connection therewith. All sums so paid by Landlord, together with interest thereon at the rate of ten percent (10%) per annum, shall be deemed additional rent and shall be payable to Landlord on the next rent paying day.

12.07 Late Charges: Tenant acknowledges that late payment by Tenant to Landlord of rent or other charges as required in this Lease will cause Landlord to incur costs not contemplated by this Lease, the exact amount of such costs being extremely difficult and impracticable to fix. Such costs include, without limitation, processing and accounting charges, and late charges that may be imposed on Landlord by the terms of any encumbrance and note secured by any encumbrance covering the Premises. Therefore, if any installment of rent due from Tenant is not received by Landlord within five (5) days of its due date, then Tenant shall pay to Landlord an additional sum of *five percent (5%)* of the overdue rent. The parties agree that this late charge represents a fair and reasonable estimate of the cost that Landlord will incur by reason of late payment. Acceptance of any late charge shall not constitute a waiver of Tenant's default with respect to the overdue rent, nor prevent Landlord from exercising any of the other rights and remedies available to Landlord. The parties agree that this late charge shall be treated as additional rent, such that the failure to pay this late charge shall constitute a default and breach of this Lease, giving Landlord the right to serve a Three Day Notice to Pay or Quit and file an action for unlawful detainer.

ARTICLE 13. LANDLORD'S GENERAL PROTECTIVE PROVISIONS

13.01 Surrender at End of Term. Tenant shall peaceably give up and surrender to Landlord the Premises and every part thereof to Landlord at the termination of the term of this Lease in as good a condition and repair as reasonable use and wear thereof will permit.

13.02 Release of Landlord After Sale. In the event of a sale or conveyance by the Landlord of the Premises or any part containing the Premises, Landlord shall be

released from any future liability upon any of the covenants or conditions, expressed or implied, in favor of Tenant, and, in such event, the Tenant agrees to look solely to the responsibility of the successor in interest of Landlord in and to this Lease. Nothing in this paragraph shall be construed as a limitation of Tenant's rights and interest in the Premises, and any sale or conveyance of the Premises shall be subject to this Lease and Tenant's rights and interest hereunder.

13.03 Landlord's Right to Inspect. Landlord shall be entitled, at all reasonable times, to go on the Premises for the purpose of inspecting the performance by Tenant of the terms and conditions of this Lease, or for the purpose of posting and keeping posted thereon notices of non-responsibility for any construction, alteration, or repair thereof, as required or permitted by any law or ordinance.

13.04 Landlord's Right of Entry. Landlord reserves, and shall at any and all times, except in the event of an emergency, provide Tenant two hours notice of Landlord's intent to enter the Premises and Tenant shall have the opportunity to have a representative of the Tenant accompany Landlord for the purpose of inspecting the premises, to submit said premises to prospective purchasers or tenants, to post notices of non-responsibility, to repair the Premises and any portion of the Building of which the Premises are a part that Landlord may deem necessary or desirable, without abatement of rent, and may for that purpose erect scaffolding and other necessary structures where reasonably required by the character of the work to be performed, always providing that the entrance to the Premises shall not be unreasonably blocked thereby, and further providing that the business of the Tenant shall not be interfered with unreasonably.

Landlord agrees at all times to comply with applicable Health Insurance Portability and Accountability Act (HIPPA) regulations.

Tenant hereby waives any claim for damages for any injury or inconvenience to or interference with Tenant's business, any loss of occupancy or quiet enjoyment of the Premises, and any other loss occasioned thereby. For each of the aforesaid purposes, Landlord shall at all times have and retain a key with which to unlock all of the doors in, upon and about the Premises, excluding Tenant's vaults, safes and files, and Landlord shall have the right to use any and all means which Landlord may deem proper to open said doors in an emergency, in order to obtain entry to the Premises without liability to Tenant except for any failure to exercise due care for Tenant's property and any entry to the Premises obtained by Landlord by any of said means, or otherwise, shall not under any circumstances be construed or deemed to be a forcible or unlawful entry into, or a detainer of, the Premises, or an eviction of Tenant from the Premises or any portion thereof.

ARTICLE 14. GENERAL PROVISIONS

14.01 Conditions and Covenants. All of the provisions of this Lease shall be construed to be "conditions" as well as "covenants" as though the words specifically expressing or imparting covenants and conditions were used in each separate provision.

14.02 No Waiver of Breach. No failure by either Landlord or Tenant to insist upon the strict performance by the other of any covenant, agreement, term or condition of this Lease or to exercise any right or remedy consequent upon a breach thereof, shall constitute a waiver of any such breach or of such covenant, agreement, term, or condition. No waiver of any breach shall affect or alter this Lease, but each and every

covenant, condition, agreement, and term of this Lease shall continue in full force and effect with respect to any other then existing or subsequent breach.

14.03 Time of Essence. Time is of the essence of this Lease, and of each provision.

14.04 Unavoidable Delay -- Force Majeure. If either party shall be delayed or prevented from the performance of any act required by the Lease by reason of acts of God, strikes, lockouts, labor troubles, inability to procure materials, restrictive governmental laws, or regulations or other cause, without fault and beyond the reasonable control of the party obligation (financial inability excepted), performance of such act shall be excused for the period of the delay; and the period for the performance of any such act shall be extended for a period equivalent to the period of such delay, provided, however, nothing in this section shall excuse Tenant from the prompt payment of any rental or other charge required of Tenant except as may be expressly provided elsewhere in this Lease.

14.05 Successors in Interest. Each and all of the covenants, conditions, and restrictions in this Lease shall incur to the benefit of and shall be binding upon the heirs, assignees, and successors in interest of Landlord, and subject to the restrictions of Article 12, the authorized assignees, transfers, subtenants, licensees, and other successors in interest of Tenant.

14.06 Entire Agreement. This Lease contains the entire Agreement of the parties with respect to the matters covered by this Lease, and no other agreements, statements, or promise made by any party, which is not contained in this Lease shall be binding or valid.

14.07 Governing Law and Venue. This Lease is delivered in the State of California and shall be governed by and construed in accordance with the laws of the State of California (without giving effect to its laws of conflicts). Venue shall be in the Superior Court of California, Riverside County, California.

14.08 Arbitration. Any dispute, claim or controversy arising out of or relating to this Lease or breach, termination, enforcement, interpretation or validity thereof, including the determination of the scope or applicability of this agreement to arbitrate, shall be determined by arbitration in Riverside County, California before one arbitrator. The arbitration shall be administered by JAMS pursuant to its Comprehensive Arbitration Rules and Procedures, or by such other arbitration service as may be mutually agreed to by the parties hereto. Judgment on the award may be entered in any court having jurisdiction. This provision shall not preclude the parties from seeking provisional remedies in aid of arbitration from a court of appropriate jurisdiction.

14.09 Attorney's Fees. Should either party commence any legal action or proceeding against the other based on this Lease, the prevailing party shall be entitled to an award of actual attorney's fees and costs.

14.10 Landlord Certification. Landlord hereby certifies that: (1) the Landlord (including but not limited to partners, shareholders or other investors of Landlord) is not a physician, dentist, osteopath, podiatrist, optometrist or chiropractor (collectively "practitioner") (or immediate family member thereof who is a practitioner or group of practitioners) who has an ownership or investment interest in the Building in which the Premises is located. Landlord covenants and agrees that Landlord shall notify Tenant within ten (10) days of any change in the facts relating to this certification.

14.11 Notices. All notices or other communications required or permitted under this Lease shall be in writing and given by certified mail (return receipt requested) or by nationally recognized overnight courier service that regularly maintains records of items delivered. Notices shall be effective the next business day after being sent by overnight courier service, and three business days after being sent by certified mail (return receipt requested). Unless and until notice of a change of address is given under this Lease, notices or other communications shall be given to Landlord and Tenant, respectively, at the following address:

Landlord: Desert Healthcare District
dba Las Palmas Medical Plaza
1140 N. Indian Canyon Drive
Palm Springs, CA 92262
Attn: Chief Executive Officer

With a copy to: Best Best & Krieger LLP
74-760 Highway 111, Suite 200
Indian Wells, California 92210
Attn: Carlos Campos

If to Tenant: Desert Regional Medical Center
1150 N. Indian Canyon Drive
Palm Springs, California 92262
Attn: Chief Executive Officer

With a copy to: Tenet Healthcare Corporation
1445 Ross Avenue, Suite 1400
Dallas, Texas 75202
Attn: General Counsel

14.12 Compliance With Laws. Tenant shall, at Tenant's expense, promptly comply with all federal, state, county, city or local governmental agency laws, statutes, codes, ordinances, standards, rules, regulations, requirements and orders, including without limitation the Americans with Disabilities Act of 1990, 42 U.S.C. § 12101 *et*

seq., as amended ("ADA"), covenants and restrictions of record, life and fire safety and similar requirements and requirements of any fire insurance underwriters or rating bureaus, now in effect or which may come into effect at any time during the term of the Lease (collectively "Applicable Requirements"), relating in any manner to the Premises or made applicable to the Premises, the Building or the common areas by (i) Tenant's occupation or use of the Premises or of the common areas, (ii) the tenant improvements in the Premises, (iii) any alterations, additions or improvements in the Premises made by Tenant, or (iv) the presence of one or more persons with a particular disability within the Premises; however, Tenant shall not be required to make any structural alterations to the Premises and/or any alterations to the common areas in order to comply with Applicable Requirements, except to the extent that such compliance is triggered solely by Tenant's alterations. The parties intend that, as to the Premises, Tenant shall be fully responsible for all costs to comply with any existing and future Applicable Requirements, including the cost of any required repairs, replacements, alterations and improvements to the Premises, whether or not presently foreseeable as a direct result of Tenant's occupancy. Landlord warrants that the Premises, Building, and the common areas will be in compliance with all applicable laws, including all ADA requirements, as of the Commencement Date. Landlord shall be responsible for all compliance with all Applicable Requirements pertaining to the Building and Common Areas, other than compliance for which Tenant is responsible as described above, but subject to inclusion of the costs thereof in the common area maintenance costs to the extent permitted under this Lease.

Desert Healthcare District and TENANT have executed this Lease as of the day and year written above in Article 3, Section 3.02.

EXHIBIT "A"

The land referred to in this policy is situated in the State of California, County of Riverside, City of Palm Springs, and is described as follows:

The North-half of Northeast quarter of Northwest quarter of Southwest quarter of Section 11, Township 4 South, Range 4 East, San Bernardino Base and Meridian, as shown by United States Government Survey, and described as follows:

BEGINNING at the Northeast corner of Northeast quarter of Northwest quarter of Southwest quarter of said Section;

THENCE, North 89E 59' 30" West, along the Northerly line thereof, 660 feet to the Northwest corner of the Northeast quarter of Northwest quarter of Southwest quarter of said Section;

THENCE, South 00E 00' 30" East, 660 feet to the Easterly line of the Northeast quarter of Northwest quarter of Southwest quarter of said Section, 330.10 feet;

THENCE, 89E 59' 30" East, 660 feet to the easterly line of the Northeast quarter of Northwest quarter of Southwest quarter of said Section;

THENCE, 00E 00' 30" East; along said Easterly line, 330.10 feet at the Point of Beginning;

EXCEPTING therefrom, the Northerly 30 feet, the Easterly 30 feet and the Westerly 20 feet thereof for road purposes.

ALSO EXCEPTING therefrom, that portion thereof conveyed to the City of Palm Springs by document recorded June 17, 1971 as Instrument No. 65381 of Official Records of Riverside County, California.

LANDLORD:

Desert Healthcare District,

d.b.a. Las Palmas Medical Plaza

By: 

Kathy Greco

Its: Chief Executive Officer

TENANT:

Desert Regional Medical Center, Inc.

By: 

Carolyn Caldwell, FACHE

Its: President and CEO

TAX-ID: 75-2694137

**ASSIGNMENT OF LEASE
Suite 3E 101-102**

THIS ASSIGNMENT OF LEASE (“Assignment”) is made and entered into by and between **Desert Regional Medical Center, Inc.** (“Assignor”), and First Choice Physician Partners (“Assignee”).

W I T N E S S E T H:

WHEREAS, Assignor as Lessee and Desert Healthcare District, d.b.a. Las Palmas Medical Plaza as Lessor (“Lessor”), entered into that certain Lease Agreement (“Lease”) dated May 1, 2015, a copy of which is attached hereto as Exhibit A and incorporated herein by this reference;

WHEREAS, Assignor represents and warrants that it is not in material default under the Lease, is current in any and all payments with respect to the Lease and is not aware of any claim made with respect to the Lease; and

WHEREAS, Assignor wishes to assign to Assignee all of its right, title, and interest under the Lease.

NOW, THEREFORE, for and in consideration of the recitals above and the mutual covenants and conditions contained herein, Assignor and Assignee agree as follows:

1. Assignor hereby assigns to Assignee all of Assignor’s right, title and interest under the Lease effective as of March 1, 2020 (“Effective Date”).
2. Assignor understands and agrees that this Assignment does not relieve Assignor of its obligations to Landlord under the terms and conditions of the May 1, 2015 Lease and in the event that Assignee defaults in the payment of rent, Assignor shall be responsible for payment.
3. Assignee hereby accepts the foregoing Assignment and agrees to assume and perform all of Assignor’s obligations under the Lease from and after the Effective Date.
4. Assignee agrees to indemnify and hold harmless Assignor from and against all costs, expenses, liabilities, losses, damages or obligations incurred by or imposed upon Assignor for claims arising under the Lease on or after the Effective Date. Assignor agrees to indemnify, defend, and hold harmless Assignee from and against all costs, expenses, liabilities, losses, damages or obligations incurred by or imposed upon Assignee for claims arising under the Lease prior to the effective date hereof.
5. This Assignment shall be binding upon the parties, their successors and assigns and the parties shall execute and deliver such further and additional instruments, agreements and other documents as may be necessary to evidence or carry out the provisions of this Assignment.

6. This Assignment shall be governed by the laws of the state of California.

DRAFT

7. This Assignment may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

ASSIGNOR:

By: _____
Name: Michele Finney
Title: President and Chief Executive Officer
Date: _____

ASSIGNEE:

By: _____
Name: Jeff Henderson
Title: President/CEO
Date: _____

EXHIBIT A

LEASE

As Attached

A

LAS PALMAS MEDICAL PLAZA

COMMERCIAL LEASE

ARTICLE 1. PARTIES

1.01 THIS LEASE is made and entered into as of the later of February 24, 2015, or the execution of the Agreement by both parties (the "Effective Date") by and between **Desert Healthcare District, d.b.a. Las Palmas Medical Plaza** hereinafter referred to as "Landlord", and **Desert Regional Medical Center, Inc.** hereinafter referred to as "Tenant".

ARTICLE 2. LEASED PREMISES

2.01 **Description.** Landlord leases to Tenant, and Tenant hires from Landlord, for the term, at the rental, and upon the conditions in this Lease, the medical office space located at **555 E. Tachevah Drive, Building 3 East, Suites 101 & 102** consisting of a total of **2,591 sq. ft., Palm Springs, California 92262** hereinafter referred to as the "Premises". Said space is a portion of the medical office building commonly known as Las Palmas Medical Plaza, Palm Springs, California (the Building).

2.02 Intent. The development and operation of the Premises furthers the Tenant's strategy to address the shortage of primary care or specialty physicians in the Landlord's district and the Coachella Valley.

ARTICLE 3. TERM OF LEASE

3.01 **Term of Months.** The term of the Lease shall be for a period of **One Hundred and Twenty** (120) calendar months, unless terminated as provided for herein.

3.02 Commencement of Term

A. *Definition* The term Commencement Date, as used in this Lease, shall be construed to mean the earlier of the 1st day of May, 2015, or the completion of the Tenant improvements, as agreed upon by Landlord and Tenant.

3.03 Holding Over. Holding over after the expiration of the term of this Lease, or any oral extension thereof, with the consent of Landlord, shall be a tenancy from month to month not to exceed 90 days, and the rentals and additional rentals upon the covenants, conditions, limitations, and agreements are subject to the exceptions and reservations contained in this Lease.

3.04 Termination for Changes in Law. If any Authority passes, issues or promulgates any new, or changes any existing, Applicable Law (each, a "Legal Event") that a Party (the "Noticing Party") reasonably believes (i) materially and adversely affects either Party's licensure, accreditation, certification, or ability to refer, accept any referral, present a bill or claim, or receive payment or reimbursement from any governmental or non-governmental payor, or (ii) requires further compliance activities of the other Party, then the Noticing Party may give the other Party 30 days prior written notice of its intent to amend or terminate this Lease. Notwithstanding the foregoing, the Noticing Party may propose an amendment to this lease to take into account the Legal Event, and, if accepted by the other Party prior to the end of the 30 day notice period, this Lease shall be amended as of the date of such acceptance and if not amended shall automatically terminate.

3.05 Termination Without Cause. On or after the fifth (5th) anniversary of the Commencement Date, either Party may, in its sole discretion, terminate this Lease

without cause by giving the other Party at least one hundred eighty (180) days' prior written notice.

ARTICLE 4. RENT

4.01 Rent and Other Payments. Tenant agrees to and shall pay to Landlord at Palm Springs, California, or at such other place as Landlord shall from time to time in writing designate, as minimum annual rental for the Premises, the total sum of **Forty-One Thousand, Nine Hundred and Seventy-Four Dollars and 20/100 (\$41,974.20)**, payable in Twelve (12) equal monthly installments of **Three Thousand, Four Hundred and Ninety-Seven Dollars and 85/100 (\$3,497.85)** (and as the same may be modified as provided in Paragraph 4.02), each in advance on the first (1st) day of each calendar month after commencement of the term hereof. In addition to monthly rent Tenant shall pay its monthly pro-rata share of Common Area Maintenance Costs, Real Estate Taxes and Insurance (Triple Net Fees) as outlined in Article 5.02, 5.03, 5.04, and 5.05 presently estimated at \$.53 per leased square foot **One Thousand, Three Hundred and Seventy-Three Dollars and 23/100 (\$1,373.23)**, subject to annual adjustments and reconciliations thereto.

4.02 At the end of the first twelve (12) month period of this Lease and thereafter at the end of each twelve (12) month period the minimum monthly rental shall be as follows:

Second Year –	\$3,602.79 plus NNN per month
Third Year –	\$3,710.87 plus NNN per month
Fourth Year –	\$3,822.20 plus NNN per month
Fifth Year –	\$3,936.86 plus NNN per month

Sixth Year-	\$4,054.97 plus NNN per month
Seventh Year -	\$4,176.62 plus NNN per month
Eighth Year -	\$4,301.91 plus NNN per month
Ninth Year-	\$4,430.97 plus NNN per month
Tenth Year-	\$4,563.90 plus NNN per month

4.03 Security Deposit. Upon the execution of this Lease, Tenant will pay Landlord the sum of **Three Thousand, Four Hundred and Ninety-Seven Dollars and 85/100 (\$3,497.85)** as security for the full, faithful, and timely performance of every provision of this Lease to be performed by Tenant. Said security deposit shall be refundable if Tenant leaves space in good repair, less normal wear and tear, at the expiration of this Lease unless any options are exercised or Lease is extended by mutual consent. The security deposit shall be held to expiration of extended Lease.

4.04 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 **Fifty Dollars (\$50.00) a square foot for a total of One Hundred Twenty-Nine Thousand, Five Hundred Fifty Dollars (129,550.00)** 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. Tenant shall ensure prevailing wages are paid on said work.

ARTICLE 5. UTILITIES AND TAXES

5.01 Utilities and Maintenance. Tenant shall pay for all gas, heat, light, power, telephone service, janitorial services, and any and all other utilities serving the Premises.

5.02 As additional rental Tenant shall pay 5.25% of the monthly cost of all exterior maintenance of the Building and grounds, including, but not limited to, parking lot maintenance, gardening service, elevator maintenance, roof maintenance and repair, water and electricity charges for common areas and parking lot, and all other expenses related to the exterior maintenance and repair of Las Palmas Medical Plaza, including a 10% administrative charge, but excluding any costs related to any leased space. **This is included in the Common Area Maintenance fee charged monthly as additional rent.** To the extent Landlord anticipates expenditures towards maintenance which are outside of the ordinary course, Landlord shall provide Tenant with at least ninety (90) days advance written notice of Landlord's plans as well as the anticipated costs of such non-routine maintenance. Tenant shall pay to Landlord, Tenant's pro rata share of such expenses in the following manner:

A. Tenant shall pay Landlord on the first day of each calendar month of the term of this Lease an amount estimated by Landlord to be Tenant's pro rata share of such expenses. Landlord may adjust the estimated monthly charge on the basis of Landlord's experience and reasonably anticipated costs.

B. Within thirty (30) days following the end of each calendar year, Landlord shall furnish Tenant with a reconciliation of the total operating cost, the amount of Tenant's pro rata share of such common area expenses for such calendar year and the payments made by Tenant with respect to such period as set forth in subparagraph A. If the yearly reconciliation indicates that monthly payments made by Tenant are less than Tenant's pro rata share of actual total common area expense for the calendar year, Tenant shall pay to Landlord the amount of such difference within twenty (20) days after Tenant's receipt of notice of the amount due together with Landlord's yearly reconciliation and evidence of such actual costs. If the monthly payments made by Tenant are more than Tenant's pro rata share of actual total common area expense for the calendar year, Landlord shall credit the excess against Tenant's next rent payment(s) coming due, or if after the end of the Lease term, reimburse such amount to Tenant within twenty (20) days after final determination of the amount due.

5.03 Payment of Taxes and Assessments by Tenant. Tenant agrees to pay as additional rent and within thirty (30) days after written notice by Landlord, **5.25%** of any and all real property taxes and assessments, levied or assessed upon the Premises. **This is included in the Common Area Maintenance fee charged monthly as additional rent.**

5.04 Payment of Personal Property Taxes by Tenant. Tenant agrees to pay, before delinquency, all personal property taxes levied or assessed on Tenant's fixtures, furniture, appliances and personal property.

5.05 Payment of Fire Insurance by Tenant. Tenant agrees to pay as additional rental and within thirty (30) days after written notice by Landlord, 5.25% of the fire insurance premiums necessary to insure the Premises with standard form extended coverage fire insuring the Building to the extent of at least ninety percent (90%) of the full replacement cost of the Building and improvements thereon. This is included in the Common Area Maintenance fee charged monthly as additional rent.

ARTICLE 6. USE AND OCCUPANCY

6.01 Use. Tenant shall use the Premises solely for the purpose of the business of providing Primary Care and/or Mental Health medical education and/or Primary Care and/or Mental Health clinical services, and for no other purpose whatsoever without the prior written consent of the Landlord.

6.02 Restrictions on Tenant's Use. Tenant agrees, in using the Premises:

A. **Waste.** Not to commit any waste or suffer any waste to be committed upon the Premises;

B. **Nuisance.** Not to commit any public or private nuisance or any other act or thing that might or would disturb the quiet enjoyment of any other tenant of the leased premises or any occupancy of nearby property;

C. **Insurance Risks.** Not to keep, use, sell or offer for sale on the Premise any article, or conduct any activity thereon, which may be prohibited by the standard form of fire insurance policy, and, if Tenant does keep, use, sell or offer for sale

any such article, or if any acts are performed on the Premise by Tenant which increase the rate of fire insurance premiums attributable thereto on demand.

D. X-Ray and Laboratory Equipment Not to operate any x-ray equipment (dental x-ray equipment excepted), nor any pathology laboratory, nor any laboratory equipment whatsoever, without the prior written consent of Landlord, except in connection with the provision of medical services to the patients of the medical group practicing on the Premises.

ARTICLE 7. TRADE FIXTURES AND SIGNS

7.01 Installation. Tenant may install in and affix to the Premises such fixtures and equipment only as Landlord shall approve in writing, which approval shall not be unreasonably withheld.

7.02 Removal. Not later than the expiration of the time within which under any provision of this Lease Tenant is required to surrender possession of the Premises to Landlord, Tenant may, and if prior to the expiration of such time Landlord gives written notice requiring Tenant to do so, Tenant shall remove all trade fixtures installed in the Premises by Tenant. All trade fixtures not removed within such time shall become and remain the property of Landlord. The removal of such trade fixtures shall be effected solely at the expense of Tenant, and in a manner satisfactory to Landlord and without injury or damage to the Premises or the Building, and Tenant covenants to repair immediately, at Tenant's expense, any injury or damage caused by such removal.

7.03 Signs. Tenant may, at its expense, erect on the Premises such signs as Landlord may approve in writing and as comply with applicable laws, regulations and ordinances.

ARTICLE 8. ALTERATIONS, REPAIRS, RESTORATION

8.01 Consent of Landlord to Alterations. Tenant shall make no installations, additions or improvements in or to the Premises, except as otherwise authorized in this Lease, or structural alterations or changes either to the interior or exterior of the Building on the Premises, or in the bearing walls, supports, beam or foundations without the written consent of the Landlord.

8.02 Tenant to Pay Alteration Cost. All installations, additional, or improvements, and alterations and changes made, with the consent of the Landlord, after Tenant occupies the Premises, shall be made at the sole cost and expense of Tenant.

8.03 Alterations Required by Law. If, during the term of this Lease, any additions, alterations or improvements in or to the Premises, as distinguished from repairs, are required by governmental regulations because of the use to which the Premises are put by Tenant and not by reason of the character or structure of the Building, they shall be made and paid for by Tenant.

8.04 Surrender or Removal of Improvements. All alterations, additions or improvements which are made in or to the Premises shall be the property of Landlord upon the termination of this Lease, unless prior to such termination Landlord gives Tenant written notice to remove some or all thereof, in which case Tenant shall cause the items so designated to be removed and the Premises to be restored to their condition at the commencement of Tenant's Lease, normal wear and tear excepted, all at the expense of the Tenant.

8.05 Maintenance and Repairs by Tenant. Tenant agrees during the term hereof to keep and maintain at tenants expense the Premises and every part thereof in and

about the Premises in good order, condition, **and repair**, including, without limiting the forgoing, all fixtures, interior walls, floors, ceilings, sides, plumbing, all interior building appliances and similar equipment, windows, doors and plate glass.

8.06 Mechanic's Liens. Tenant agrees to pay promptly for all labor done or materials furnished for any work of repair, maintenance, improvements, alterations, or additions done by Tenant, in connection with the Premises, and to keep and to hold the Premises free, clear, and harmless of and from all liens that could arise by reason of any such work. If any such lien shall at any time be filed against the Premises, Tenant shall either cause the same to be discharged of record within twenty (20) days after the date of filing the same, or if Tenant in its discretion and in good faith, determines that such lien should be contested, Tenant shall furnish such security as may be necessary or required to prevent any foreclosure proceedings against the Premises during the pendency of such contest. If Tenant shall fail to discharge such lien within such period or fails to furnish such security, then, in addition to any other right or remedy, Landlord may, but shall not be obligated to, discharge the same, either by paying the amount claimed to be due or by procuring the discharge of such lien by deposit in court or by giving security or in such other manner as is or may be prescribed by law. Tenant shall repay to Landlord on demand all sums disbursed or deposited by Landlord in connection therewith. Nothing contained herein shall imply any consent or agreement on the part of the Landlord to subject Landlord's interest in the property, of which the Premises are a part of, to liability under any mechanic's lien law.

8.07 Notice of Non-responsibility. Landlord shall at all times have the right to post and to keep posted on the demised premises such notices provided for under the laws

of the State of California for the protection of the Premises from Mechanic's Liens of a similar nature.

8.08 Partial Destruction -- Repairs by Landlord. Should the Building be situated upon the Premises and the leasehold improvements be damaged or destroyed by fire, casualty, or hazard, then, if damaged or destroyed by fire, casualty, or hazard, then, if damage is so slight as not to interfere substantially with Tenant's use of the Premises, Tenant shall notify Landlord, who shall immediately, undertake to make repairs to the Building and improvements and restore the same to substantially the same condition as they were in immediately preceding such damage or destruction. Such work shall be done as rapidly as conditions permit. In the event such damage is so slight as not to interfere substantially with Tenant's uses of the Premises, there shall be no abatement of rent.

8.09 Total or Substantial Destruction -- Termination of Lease. Should there be total or substantial destruction and Premises are rendered unusable, either in whole or in part, either party shall have the right to terminate the Lease.

8.10 Rebuilding by Landlord. In the event neither party elects to terminate this Lease, Landlord shall, to the extent of available insurance proceeds, repair or rebuild such Building and improvements to substantially the same condition that they were in immediately preceding such damage or destruction.

8.11 Reduction in Rent. Tenant shall be entitled to a reasonable suspension or diminution of the fixed rent and the real property taxes and assessments payable hereunder during the entire time required for restoration and repair according to the

portion of the Premises rendered unusable, taking into consideration the time and extent of interference with the usual conduct of Tenant's business.

8.12 Use of Insurance Proceeds on Termination. Should either party elect to terminate this Lease, the proceeds of insurance on the Building and improvements shall be paid over to the Landlord, and such insurance proceeds shall be and become the sole and absolute property of Landlord. Nothing in this paragraph below shall be construed to require Tenant to pay over to Landlord proceeds of insurance on Tenant's personal property.

8.13 Use of Insurance Proceeds to Repair and Rebuild. Should either party elect to terminate this Lease, the proceeds of insurance on the Building and improvements shall be paid over to Landlord, and Landlord shall hold the same in trust for the purpose of repairing or rebuilding such Building and improvements to substantially the same condition that they were in immediately preceding such damage or destruction. In the event after such repair or rebuilding any of such insurance proceeds remains in the hands of Landlord, such balance shall be and become the sole and absolute property of Landlord.

8.14 Continuation of Operation. Tenant agrees to continue the operation of its business in the Premises to the extent reasonably practicable from the standpoint of good business during any period of reconstruction or repair.

ARTICLE 9. CONDEMNATION

9.01 Total Condemnation. If, during the term hereof, there shall be a "total taking" by a public authority under the power of eminent domain, then the leasehold estate of Tenant in the Premises shall cease and terminate as of the date actual physical

possession thereof shall be taken. "Total taking" is defined to be the taking of the entire Premises under the power of eminent domain or a taking of so much of the Premises as to prevent or substantially impair the conduct of Tenant's business therein.

9.02 Partial Condemnation. If, during the term thereof, there shall be a "partial taking" of the Premises, this Lease shall terminate as to the portion of the Premises taken upon the date which actual possession of the portion of the Premises is taken pursuant to eminent domain proceedings, but this lease shall continue in force and effect as to the remainder of the Premises. The rental payable by Tenant for the balance of the term, but not taxes and assessments, shall be abated in the ratio that the square footage of the floor area of the Building taken bears to the total floor area of the Building at the time of such taking. "Partial taking" is defined to be the taking of only a portion of the Premises under the power to eminent domain which does not constitute a "total taking" as defined in Section 9.01.

9.03 Allocation of Award. All compensation and damages awarded for the taking of the Premises or the common facilities, or any portion or portions thereof, shall, except as otherwise herein provided, belong to and be the sole property of Landlord, and Tenant shall not have any claim or be entitled to any award for diminution in value of its leasehold hereunder or for the value of any unexpired term of this Lease; provided, however, Tenant shall be entitled to any award that may be made for the taking of or injury to, or on account of any cost or loss Tenant may sustain in the removal of Tenant's merchandise, fixtures, equipment and furnishings.

9.04 Effect of Termination. If this Lease is terminated, in whole or in part, pursuant to any of the provisions of this Article 9, all rentals and other charges payable

by Tenant to landlord hereunder and attributable to the Premises taken, shall be paid up to the date upon which actual physical possession shall be taken by the condemner, and the parties shall thereupon be released from all further liability in relation thereto.

ARTICLE 10. INDEMNITY AND INSURANCE

10.01 No Liability of Landlord for Tenant's Acts. Landlord shall not be liable at any time for any loss, damage or injury to the property or person of any person whomsoever at any time occasioned by or arising out of any act or omission of the Tenant, or of anyone holding under Tenant or the occupancy or use of the Premises or any part thereof or the parking lot by or under the Tenant, or directly or indirectly from any state or condition of the Premises or any part during the term of this Lease.

10.02 Indemnification of Landlord. Notwithstanding anything to the contrary in this Lease and irrespective of any insurance carried by Tenant for the benefit of Landlord, Tenant agrees to protect, indemnify and hold Landlord and the Premises harmless from any and all damages or liabilities of whatsoever nature arising under the terms of this Lease or arising out of or in connection with (i) the operation carried on by Tenant on, or the use or occupancy of, the Premises by Tenant; ((ii) any activity, work, or thing done or permitted by Tenant in or about the Premises; (iii) any breach by Tenant or its employees, agents, contractors, patients, or invitees of this Lease; (iv) any violation by Tenant or its employees, agents, or contractors, patients, or invitees of any laws relating to the confidentiality of patient records; and (v) any injury or damage to the person, property, or business of Tenant, its employees, agents, contractors, patients, or invitees entering upon the Premises in connection with the ordinary conduct of Tenant's business.

10.03 Tenant's Insurance. The Tenant shall carry and maintain, during the entire term hereof, at Tenant's sole cost and expense, the following types of insurance in the amount specified and in the form provided for in this section.

A. **Public Liability and Property Damage.** Broad-form comprehensive public-liability insurance with limits of not less than Five Hundred Thousand Dollars (\$500,000.00) per person and One Million Dollars (\$1,000,000.00) each occurrence, insuring against any and all liability of Tenant with respect to the Premises or arising out of the maintenance, use, or occupancy thereof, and property damage liability insurance with a limit of not less than One Hundred Thousand Dollars (\$100,000.00) each accident.

B. **Delivery of Policy or Certificate.** Tenant shall deliver to Landlord policies evidencing the insurance procured by Tenant, or deliver in lieu thereof certificates of coverage from the insurance company or companies writing the policy or policies of insurance, which certificates shall, among other things, designate the landlord as the certificate holder in the amounts provided above. Upon Landlord's written request, duplicate copies of such certificates of insurance shall be delivered to Landlord's mortgagees.

C. **Notice of Cancellation.** All insurance policies shall contain a provision that such policies shall not be canceled or terminated without ten (10) days prior notice from the insurance company to Landlord. Tenant agrees that on or before ten (10) days prior to expiration of any insurance policy, Tenant will deliver to Landlord written notification in the form of a receipt or other similar document from the applicable insurance company that said policy or policies have been renewed, or delivered

certificates of coverage from another good and solvent insurance company for such coverage.

D. Waiver of Subrogation Rights. Tenant shall procure an appropriate clause in, or an endorsement on, any policy of fire or extended coverage insurance covering the personal property, fixtures and equipment located in or on the Premises, pursuant to which the insurance companies waive subrogation or consent to a waiver of right of recovery against Landlord, and Tenant does hereby agree that it shall not make any claim against or seek to recover from Landlord any loss or damage to its property or the property of others, resulting from fire or other hazards covered by such fire and extended coverage insurance.

E. Tenant Self-Insurance. Notwithstanding anything to the contrary contained herein, Tenant shall be permitted the right to self-insure (or have its parent or an affiliate corporation self-insure), in whole or in part, any of the coverages required hereby for so long as: (i) Tenant (or its parent or affiliate insurer) has a net equity book value equal to or in excess of Twenty-Five Million Dollars (\$25,000,000) with at least Ten Million Dollars (\$10,000,000) of liquidity and (ii) Tenant (or its parent or affiliate as the case may be) maintains a self-insurance program which contains procedures governing the investigation, litigation, processing, funding of reserves, and payment of insurance claims, which procedures shall be consistent with those of third-party insurers. As an alternative to, or in connection with, maintaining self-insurance Tenant shall be entitled to satisfy the insurance requirements set forth in this Lease by obtaining insurance through an industry captive insurance company, provided that the policy limits of such insurance are at least equal to the policy amounts required under this Lease.

Tenant's captive insurance company shall not be required to meet any state or third party rating standards or other qualifications set forth in this Lease. Landlord acknowledges and agrees that Tenant may place its general and public liability insurance with an industry captive insurance company affiliated with Tenant and such placement shall satisfy the requirement set forth in this Lease to maintain general and public liability insurance. Tenant shall issue (or cause to be issued) to Landlord a certificate in form reasonably acceptable to Landlord evidencing any self-insurance being provided pursuant to this provision, including, without limitation, evidence that Landlord is an additional insured thereunder.

ARTICLE 11. ASSIGNMENT AND SUBLEASING

11.01 Landlord's Consent Required. Tenant shall not assign, mortgage, or hypothecate this Lease in whole or in part, not sublet all or any part of the Premises, without the prior written consent of Landlord in each instance, except as noted in Section 11.03. This prohibition against assigning or subletting shall be construed to include a prohibition against any assignment or subletting by operation of law.

11.02 Condition to Consent. As a condition to its consent, Landlord shall require Tenant to pay all expenses in connection with the assignment, continue to be responsible for payment of all rents due to Landlord under this Lease, and Landlord shall require Tenant's assignee to assume in writing the obligations of Tenant under this Lease.

11.03 Approval of Sublease. Landlord consents to the sublease of the said premises to First Choice Physician Partners, Inc., The Regents of the University of California, a California corporation, or any other physician or group practice in primary or specialty care, as applicable (individually or collectively referred to as "Transferee").

Tenant agrees to enter into and maintain one or more subleases with the Transferee(s) for the entire Premises, or with Landlord's approval anytime during the term of the lease, to a similarly established 501(c) 3 and/or public agency committed to providing Primary Care and/or Mental Health medical education and/or Primary Care and/or Mental Health clinical services. Tenant shall pay to Landlord one hundred percent (100%) of any "Transfer Premium." The term "Transfer Premium" shall mean all rent, additional rent or other consideration payable by such Transferee in connection with the sublease in excess of the rent payable by Tenant to Landlord during the period of this Lease following the sublease (and on a per square foot basis if less than all of the Premises is subleased).

11.04 Change of Ownership. The subsequent change in the ownership of fifty percent (50%) or more of the capital stock or other ownership interest of Tenant may be deemed a prohibited assignment by Landlord in its sole discretion within the meaning of this section. In the event Landlord does not deem the change in ownership of 50% or more a prohibited assignment, any subsequent owners shall be bound by the terms of this lease.

ARTICLE 12. DEFAULT AND REMEDIES

12.01 Termination for Tenant's Insolvency or Dissolution. This Lease may, at Landlord's sole discretion, be deemed repudiated and breached by Tenant if, during the term of this Lease:

1. A petition to have Tenant adjudicated a bankrupt or a petition for reorganization or arrangement under any of the laws of the United States relating to bankruptcy be filed by Tenant, or be filed against Tenant, and if so filed against Tenant not be dismissed within thirty (30) days from the date of such filing;

2. The assets of Tenant or the business conducted by Tenant on the Premises be assumed by any trustee or other person pursuant to any judicial proceedings;

3. Tenant becomes insolvent or makes an assignment for the benefit of creditors;

4. Tenant commits any act of bankruptcy, or;

5. Any corporate Tenant or assignee or successor in interest of Tenant commences proceedings for winding up.

12.02 Landlord's Right of Termination, Reentry, Damages. Tenant expressly agrees that Landlord may, at its election, terminate this Lease in the event of the occurrence of any of the contingencies hereinabove described by giving no less than three (3) days written notice to Tenant and, when so terminated, Landlord may reenter the Premises, and the leasehold interest created by this Lease shall not be treated as an asset of Tenant's estate. It is further expressly understood and agreed that Landlord shall be entitled upon such reentry, notwithstanding any other provisions of this Lease, to exercise such rights and remedies and to recover from Tenant as damages for loss of the bargain resulting from such breach, and not as a penalty, such amounts as are specified in Section 12.03.

12.03 Default. Landlord may, at its option and without limiting Landlord in the exercise of any other right or remedy he may have on account of a default or breach by Tenant, exercise the rights and remedies specified in Section 12.03 if:

A. **Rent Default.** Tenant defaults in the payment of any money agreed to be paid by Tenant to Landlord for rent or to be paid for taxes and utilities or for any

other purpose under this Lease, and if such default continues for **three (3)** days after written notice to Tenant by Landlord;

B. Abandonment. Tenant abandons the Premises for a period of thirty (30) days;

C. Other Default. Tenant defaults in the performance of any other of its agreements, conditions, or covenants under this Lease and such default continues for thirty (30) days, plus such period of delay as Tenant may encounter in the performance of its agreements by reason of matters beyond the control of Tenant.

12.04 Remedies. On any breach, default or abandonment, Landlord may exercise any of the following rights after the periods of time stated in Section 12.02.

A. Continuation of Lease After Breach. Even though Tenant has breached this Lease and abandoned the property, this Lease continues in effect for so long as Landlord does not terminate Tenant's right to possession; and landlord may enforce all his rights and remedies under this Lease, including the right to recover the rent as it becomes due under this Lease. For the purposes of this Section, the following do not constitute a termination of Tenant's right to possession:

1. Acts of maintenance or preservation or efforts to relet the property.
2. The appointment of a receiver on initiative of Landlord to protect his interest in this Lease. Tenant may, at its option, transfer its interest hereunder in the following manner so long as Landlord has not terminated Tenant's right to possession; sublet the property, assign its interest in the Lease, or both, with the consent of Landlord, which consent shall not be withheld unreasonably.

B. Termination of Lease. Landlord may terminate this Lease, and recover from Tenant all damages permitted by Civil Code Section 1951.2 including the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss for the same period that the Tenant proves could be reasonably avoid, and in the event of such a termination said Section 1951.2 shall govern with respect to the rights, duties and liabilities of Landlord and Tenant.

12.05 No Waiver of Default. Landlord's failure to take advantage of any default or breach of covenant on the part of Tenant shall not be, or be construed as a waiver thereof, nor shall not be, or be construed as a waiver thereof, nor shall any custom or practice which may grow up between the parties in the course of administering this instrument be construed to waive or to lessen the right of Landlord to insist upon the performance by Tenant of any term, covenant or condition hereof, or to exercise rights given him on account of any such default.

12.06 Landlord's Right to Cure Default. If the Tenant shall be in default in the performance of any covenant on its part to be performed under this Lease, then after notice and without waiving or releasing Tenant from the performance thereof, Landlord may, but shall not be obligated so to do, perform any such covenant, and, in exercising any such right, pay necessary and incidental costs and expenses in connection therewith. All sums so paid by Landlord, together with interest thereon at the rate of ten percent (10%) per annum, shall be deemed additional rent and shall be payable to Landlord on the next rent paying day.

12.07 Late Charges: Tenant acknowledges that late payment by Tenant to Landlord of rent or other charges as required in this Lease will cause Landlord to incur costs not contemplated by this Lease, the exact amount of such costs being extremely difficult and impracticable to fix. Such costs include, without limitation, processing and accounting charges, and late charges that may be imposed on Landlord by the terms of any encumbrance and note secured by any encumbrance covering the Premises. Therefore, if any installment of rent due from Tenant is not received by Landlord within five (5) days of its due date, then Tenant shall pay to Landlord an additional sum of *five percent (5%)* of the overdue rent. The parties agree that this late charge represents a fair and reasonable estimate of the cost that Landlord will incur by reason of late payment. Acceptance of any late charge shall not constitute a waiver of Tenant's default with respect to the overdue rent, nor prevent Landlord from exercising any of the other rights and remedies available to Landlord. The parties agree that this late charge shall be treated as additional rent, such that the failure to pay this late charge shall constitute a default and breach of this Lease, giving Landlord the right to serve a Three Day Notice to Pay or Quit and file an action for unlawful detainer.

ARTICLE 13. LANDLORD'S GENERAL PROTECTIVE PROVISIONS

13.01 Surrender at End of Term. Tenant shall peaceably give up and surrender to Landlord the Premises and every part thereof to Landlord at the termination of the term of this Lease in as good a condition and repair as reasonable use and wear thereof will permit.

13.02 Release of Landlord After Sale. In the event of a sale or conveyance by the Landlord of the Premises or any part containing the Premises, Landlord shall be

released from any future liability upon any of the covenants or conditions, expressed or implied, in favor of Tenant, and, in such event, the Tenant agrees to look solely to the responsibility of the successor in interest of Landlord in and to this Lease. Nothing in this paragraph shall be construed as a limitation of Tenant's rights and interest in the Premises, and any sale or conveyance of the Premises shall be subject to this Lease and Tenant's rights and interest hereunder.

13.03 Landlord's Right to Inspect. Landlord shall be entitled, at all reasonable times, to go on the Premises for the purpose of inspecting the performance by Tenant of the terms and conditions of this Lease, or for the purpose of posting and keeping posted thereon notices of non-responsibility for any construction, alteration, or repair thereof, as required or permitted by any law or ordinance.

13.04 Landlord's Right of Entry. Landlord reserves, and shall at any and all times, except in the event of an emergency, provide Tenant two hours notice of Landlord's intent to enter the Premises and Tenant shall have the opportunity to have a representative of the Tenant accompany Landlord for the purpose of inspecting the premises, to submit said premises to prospective purchasers or tenants, to post notices of non-responsibility, to repair the Premises and any portion of the Building of which the Premises are a part that Landlord may deem necessary or desirable, without abatement of rent, and may for that purpose erect scaffolding and other necessary structures where reasonably required by the character of the work to be performed, always providing that the entrance to the Premises shall not be unreasonably blocked thereby, and further providing that the business of the Tenant shall not be interfered with unreasonably.

Landlord agrees at all times to comply with applicable Health Insurance Portability and Accountability Act (HIPPA) regulations.

Tenant hereby waives any claim for damages for any injury or inconvenience to or interference with Tenant's business, any loss of occupancy or quiet enjoyment of the Premises, and any other loss occasioned thereby. For each of the aforesaid purposes, Landlord shall at all times have and retain a key with which to unlock all of the doors in, upon and about the Premises, excluding Tenant's vaults, safes and files, and Landlord shall have the right to use any and all means which Landlord may deem proper to open said doors in an emergency, in order to obtain entry to the Premises without liability to Tenant except for any failure to exercise due care for Tenant's property and any entry to the Premises obtained by Landlord by any of said means, or otherwise, shall not under any circumstances be construed or deemed to be a forcible or unlawful entry into, or a detainer of, the Premises, or an eviction of Tenant from the Premises or any portion thereof.

ARTICLE 14. GENERAL PROVISIONS

14.01 Conditions and Covenants. All of the provisions of this Lease shall be construed to be "conditions" as well as "covenants" as though the words specifically expressing or imparting covenants and conditions were used in each separate provision.

14.02 No Waiver of Breach. No failure by either Landlord or Tenant to insist upon the strict performance by the other of any covenant, agreement, term or condition of this Lease or to exercise any right or remedy consequent upon a breach thereof, shall constitute a waiver of any such breach or of such covenant, agreement, term, or condition. No waiver of any breach shall affect or alter this Lease, but each and every

covenant, condition, agreement, and term of this Lease shall continue in full force and effect with respect to any other then existing or subsequent breach.

14.03 Time of Essence. Time is of the essence of this Lease, and of each provision.

14.04 Unavoidable Delay -- Force Majeure. If either party shall be delayed or prevented from the performance of any act required by the Lease by reason of acts of God, strikes, lockouts, labor troubles, inability to procure materials, restrictive governmental laws, or regulations or other cause, without fault and beyond the reasonable control of the party obligation (financial inability excepted), performance of such act shall be excused for the period of the delay; and the period for the performance of any such act shall be extended for a period equivalent to the period of such delay, provided, however, nothing in this section shall excuse Tenant from the prompt payment of any rental or other charge required of Tenant except as may be expressly provided elsewhere in this Lease.

14.05 Successors in Interest. Each and all of the covenants, conditions, and restrictions in this Lease shall incur to the benefit of and shall be binding upon the heirs, assignees, and successors in interest of Landlord, and subject to the restrictions of Article 12, the authorized assignees, transfers, subtenants, licensees, and other successors in interest of Tenant.

14.06 Entire Agreement. This Lease contains the entire Agreement of the parties with respect to the matters covered by this Lease, and no other agreements, statements, or promise made by any party, which is not contained in this Lease shall be binding or valid.

14.07 Governing Law and Venue. This Lease is delivered in the State of California and shall be governed by and construed in accordance with the laws of the State of California (without giving effect to its laws of conflicts). Venue shall be in the Superior Court of California, Riverside County, California.

14.08 Arbitration. Any dispute, claim or controversy arising out of or relating to this Lease or breach, termination, enforcement, interpretation or validity thereof, including the determination of the scope or applicability of this agreement to arbitrate, shall be determined by arbitration in Riverside County, California before one arbitrator. The arbitration shall be administered by JAMS pursuant to its Comprehensive Arbitration Rules and Procedures, or by such other arbitration service as may be mutually agreed to by the parties hereto. Judgment on the award may be entered in any court having jurisdiction. This provision shall not preclude the parties from seeking provisional remedies in aid of arbitration from a court of appropriate jurisdiction.

14.09 Attorney's Fees. Should either party commence any legal action or proceeding against the other based on this Lease, the prevailing party shall be entitled to an award of actual attorney's fees and costs.

14.10 Landlord Certification. Landlord hereby certifies that: (1) the Landlord (including but not limited to partners, shareholders or other investors of Landlord) is not a physician, dentist, osteopath, podiatrist, optometrist or chiropractor (collectively "practitioner") (or immediate family member thereof who is a practitioner or group of practitioners) who has an ownership or investment interest in the Building in which the Premises is located. Landlord covenants and agrees that Landlord shall notify Tenant within ten (10) days of any change in the facts relating to this certification.

14.11 Notices. All notices or other communications required or permitted under this Lease shall be in writing and given by certified mail (return receipt requested) or by nationally recognized overnight courier service that regularly maintains records of items delivered. Notices shall be effective the next business day after being sent by overnight courier service, and three business days after being sent by certified mail (return receipt requested). Unless and until notice of a change of address is given under this Lease, notices or other communications shall be given to Landlord and Tenant, respectively, at the following address:

Landlord: Desert Healthcare District
dba Las Palmas Medical Plaza
1140 N. Indian Canyon Drive
Palm Springs, CA 92262
Attn: Chief Executive Officer

With a copy to: Best Best & Krieger LLP
74-760 Highway 111, Suite 200
Indian Wells, California 92210
Attn: Carlos Campos

If to Tenant: Desert Regional Medical Center
1150 N. Indian Canyon Drive
Palm Springs, California 92262
Attn: Chief Executive Officer

With a copy to: Tenet Healthcare Corporation
1445 Ross Avenue, Suite 1400
Dallas, Texas 75202
Attn: General Counsel

14.12 Compliance With Laws. Tenant shall, at Tenant's expense, promptly comply with all federal, state, county, city or local governmental agency laws, statutes, codes, ordinances, standards, rules, regulations, requirements and orders, including without limitation the Americans with Disabilities Act of 1990, 42 U.S.C. § 12101 *et*

seq., as amended ("ADA"), covenants and restrictions of record, life and fire safety and similar requirements and requirements of any fire insurance underwriters or rating bureaus, now in effect or which may come into effect at any time during the term of the Lease (collectively "Applicable Requirements"), relating in any manner to the Premises or made applicable to the Premises, the Building or the common areas by (i) Tenant's occupation or use of the Premises or of the common areas, (ii) the tenant improvements in the Premises, (iii) any alterations, additions or improvements in the Premises made by Tenant, or (iv) the presence of one or more persons with a particular disability within the Premises; however, Tenant shall not be required to make any structural alterations to the Premises and/or any alterations to the common areas in order to comply with Applicable Requirements, except to the extent that such compliance is triggered solely by Tenant's alterations. The parties intend that, as to the Premises, Tenant shall be fully responsible for all costs to comply with any existing and future Applicable Requirements, including the cost of any required repairs, replacements, alterations and improvements to the Premises, whether or not presently foreseeable as a direct result of Tenant's occupancy. Landlord warrants that the Premises, Building, and the common areas will be in compliance with all applicable laws, including all ADA requirements, as of the Commencement Date. Landlord shall be responsible for all compliance with all Applicable Requirements pertaining to the Building and Common Areas, other than compliance for which Tenant is responsible as described above, but subject to inclusion of the costs thereof in the common area maintenance costs to the extent permitted under this Lease.

Desert Healthcare District and TENANT have executed this Lease as of the day and year written above in Article 3, Section 3.02.

LANDLORD:


**Desert Healthcare District,
d.b.a. Las Palmas Medical Plaza**

By: 
Kay Hazen

Its: President, Board of Directors

TENANT:

Desert Regional Medical Center, Inc.

By: 
Carolyn Caldwell, FACHE

Its: President and CEO

TAX-ID: 75-2694137

EXHIBIT "A"

The land referred to in this policy is situated in the State of California, County of Riverside, City of Palm Springs, and is described as follows:

The North-half of Northeast quarter of Northwest quarter of Southwest quarter of Section 11, Township 4 South, Range 4 East, San Bernardino Base and Meridian, as shown by United States Government Survey, and described as follows:

BEGINNING at the Northeast corner of Northeast quarter of Northwest quarter of Southwest quarter of said Section;

THENCE, North 89E 59' 30" West, along the Northerly line thereof, 660 feet to the Northwest corner of the Northeast quarter of Northwest quarter of Southwest quarter of said Section;

THENCE, South 00E 00' 30" East, 660 feet to the Easterly line of the Northeast quarter of Northwest quarter of Southwest quarter of said Section, 330.10 feet;

THENCE, 89E 59' 30" East, 660 feet to the easterly line of the Northeast quarter of Northwest quarter of Southwest quarter of said Section;

THENCE, 00E 00' 30" East; along said Easterly line, 330.10 feet at the Point of Beginning;

EXCEPTING therefrom, the Northerly 30 feet, the Easterly 30 feet and the Westerly 20 feet thereof for road purposes.

ALSO EXCEPTING therefrom, that portion thereof conveyed to the City of Palm Springs by document recorded June 17, 1971 as Instrument No. 65381 of Official Records of Riverside County, California.



Date: February 11, 2020
To: Finance & Administration Committee
Subject: Schedule for the FY19-2020 annual budget process

Staff Recommendation: Information only

Background:

- The annual budget preparation is coming soon.
- The schedule for this year is as follows:
 - **May 12, 2020 – F&A Committee Meeting– Preliminary Draft Budget.** A draft budget will be presented to the Committee.
 - Should the Committee approve the budget, the budget will be forwarded to the next Board of Director's meeting for consideration of approval. If not, the budget will be revised and resubmitted at the June F&A Committee meeting,
 - **May 26, 2020 – Board of Director's Meeting** – If the preliminary draft budget is approved at the May 12, 2020 F&A Committee, the budget will be considered for final approval at the May 26, 2020 Board of Director's meeting.
 - **June 9, 2020 – F&A Committee Meeting** – If the budget requires revisions from either the May 12, 2020 or May 26, 2020 meetings, the revised budget will be submitted to the F&A Committee for consideration of approval.
 - **June 23, 2020 – Board of Director's Meeting** – Budget submitted to the Board for final approval.

Fiscal Impact:
None