

Meeting Minutes

ATTENDANCE ROSTER		
MEMBERS	MEETING DATE	
	6/6/2022	12/12/2022
Terry Corrales, RN, Chairperson	V	V
Laurie Edwards-Tate, MS, Vice-Chairperson	V	V
Linda Greer, RN, Secretary	V	V
Diane L. Hansen	V	V
Hugh King, Treasurer	V	V
Staff Attendee		
Tanya Howell Board Assistant/Corporate Secretary	V	V
Guest Presenters¹		

V = Virtual P = Present E = Excused

¹ See text of minutes for names of invited guests/presenters

BOARD OF DIRECTORS – MEETING MINUTES – MONDAY, DECEMBER 12, 2022

AGENDA ITEM

• DISCUSSION

CONCLUSIONS/ACTIONS

**FOLLOW-UP/
RESP PARTY**

I. CALL TO ORDER

- Chairperson Terry Corrales called the meeting to order at 12:01 p.m.
- Quorum comprised of Directors Corrales, Edwards-Tate, Greer, Hansen & King
- **Notice of Meeting and Full Agenda Packet** were posted at Palomar Health’s (PH) Administrative Offices and on the Palomar Health Development, Inc. (PHD) home page on the PH website on Wednesday, December 7, 2022, which is consistent with legal requirements. Notice of that posting was also made that date via email to the PHD Board and staff members.

II. PUBLIC COMMENTS

- There were no public comments

III. INFORMATION ITEMS

- None

IV. OLD BUSINESS

- None

VII. NEW BUSINESS (*Out of order due to guest speaker*)

A. Independent Audit of the Annual Financial Report of Palomar Health Development, Inc., for Fiscal Year End 2022

i. Resolution No. 12.12.22(01)-5 – Authorizing Acceptance of the Independent Audit of the Annual Financial Statements of Palomar Health Development, Inc., for Fiscal Year End 2022 as the Annual Report

MOTION: By Director Greer, seconded by Director Edwards-Tate to approve Resolution No. 12.12.22(01)-5 – Authorizing Acceptance of the Independent Audit of the Annual Financial Statements of Palomar Health Development, Inc., for Fiscal Year End 2022 as the Annual Report.

Carried by the following vote, taken by roll call: Chairperson Corrales – aye; Director Edwards-Tate – aye; Director Greer – aye; Director Hansen -aye; Director King – aye; Absent:

- At Chairperson Corrales’ request, Secretary Tanya Howell read the name of the topic and introduced Andy Maffia, Partner at Aldrich CPAs + Advisors

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- Mr. Maffia indicated that he was going to present the results of the June 30, 2022, financial statement audit, noting that he was the partner at Aldrich who had overseen the audit this year, as well as that there had been overall great results for the audit process, which he was going to review at a high level, and the first document he would be presenting was the Report to the Board of Directors (*Attachment 1*)
 - Mr. Maffia encouraged the Board to feel free to ask questions, as he wanted to ensure that the Board had a solid understanding of what the auditors had been hired to do and the results of that audit
- EXECUTIVE SUMMARY (*ATT-1*)
 - The contract had outlined the responsibilities of both entities and the scope of the audit, and it had been the standard contract for any not-for-profit
 - The report included information about the activities of the entity, and having hired an independent firm was a means of obtaining a stamp of approval on the financials, which in turn was seen in a positive light by donor organizations
 - An unmodified opinion was rendered, which was the highest level of assurance they could provide, and that same level of opinion had been rendered in all of the years that Aldrich had been auditing PHD's books
 - In addition to providing an opinion, the auditors had reviewed internal controls related to the financial function
 - Had any areas of weakness been identified, recommendations for correcting them would have been made; but no areas of significant weakness had been found, which was another positive outcome for the audit
 - The overall audit was designed not to look at every transaction, but rather to perform a sample and test basis, focusing on areas identified as having the most risk, based both on the auditors' knowledge of PHD and the other organizations they audited
 - Full cooperation had been received from the management team throughout the entire audit, which went smoothly thanks to the hard work by the management team (headed by Aimee Ebner) in providing the information, and that was overall a great reflection of how well that team was functioning
- INTERNAL CONTROL LETTER (*ATT-2*)
 - Had there been any deficiencies, that information would have been provided in the letter; however, as there had not been any deficiencies, that information was provided instead
 - If there were to be a granting organization or potential donor asking for financial statements, the letter could be included when responding to their request
- BOARD COMMUNICATION LETTER (*ATT-3*)
 - That letter was required to be in writing for all financial audits, putting into writing what would be discussed in the meeting today

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- If there had been any significant disagreements with management or difficulties or if there had been any areas identified within the financial statements that needed a second opinion, that information would have been included in the letter
- The letter would also identify if there had been any significant accounting practices, which was very common and standard for any not-for-profit organization; as well as whether there had been any sensitive or significant estimates in the financial statements
- The information was basically the same as had been reported in the past, so the letter was fairly boilerplate and detailed what the auditor was required to communicate, and there was nothing significant to which to draw the Board’s attention
- When Mr. Maffia asked if there were any questions, Director Greer commented that she felt that all of the Directors had been through several audits for Palomar Health, so they should all be familiar with the process
- Mr. Maffia then began a review of the financial statements, which had been included in the agenda packet as Addendum A, noting that the audit report would look a little different than those that had been issued in prior years due to an auditing standard change that changed the language of the report, which still provided an unmodified opinion
 - There were 2 years’ worth of information covered, from June 30, 2022 and 2021
- If approved by the Board at today’s meeting, the auditors would receive a management representation letter dated today, then remove the “draft” stamp, and the report would be signed and dated as of today’s date
- The rest of the information were the required statements, with information about assets, liabilities and statements of cash flows; and, overall from disclosure and information standpoints, contained a lot of similarities to prior years as far as what was required to be disclosed in accordance with GAAP
- Noting that the information had been sent out in advance of the meeting, Mr. Maffia opened the floor to the Board for any specific questions they might have
 - Director Greer asked if the One Safe Place funding had been included, as she didn’t recall PHD having as much cash in the past, and Director King replied that the Statements of Financial Position (*Page 16*) showed an amount of cash under Assets that was offset by the Liabilities on the Line of Credit line, as there was a funding mechanism that related to PH advancing the money to PHD to pay the bills, then when the grants monies (from One Safe Place, the First 5 Commission and several smaller grantors) came in, those funds were used to pay off the expenses, and all of the grants were figured into the audit
 - Referencing the Statement of Activities (*Page 18*), Director King pointed out that the Grant Revenue minus the Program Services expenses left a positive Change in Net Assets of \$188K, which would typically be comprised of the administrative overhead costs; therefore, there was a fair amount of money coming in, but it was going right back out again

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• DISCUSSION	CONCLUSIONS/ACTIONS	FOLLOW-UP/ RESP PARTY
<ul style="list-style-type: none"> ○ Mr. Maffia added that the Statement of Financial Position could also be called the Balance Sheet, and the Statement of Activities could also be called the Income Statement <ul style="list-style-type: none"> – He added that for many years PHD had more liabilities than assets, and it had just been in this year that it was in a situation with net assets (known as “equity” in a for-profit setting), and it was the first time that he could remember it occurring, even though that had always been the goal – PHD had always reliant on hospital for initial funding based on the Line of Credit/note payable with a termination date; however, that note was being paid down, and PHD was getting to the point of becoming more self-reliant <ol style="list-style-type: none"> 1) Although there would be a balloon payment due in 2026, and there was still a significant portion due on the note, last year there had been \$1.8M in cash with \$1.837 due on the note, and this year there had been \$2M in cash with only \$1.7M due on the note 2) From an organizational standpoint, the grant programs were allowing PHD to get to a healthier financial situation with less dependence on the note payable – He added that it was overall about as clean of an audit as could be provided ● In response to an inquiry from Director Greer about how long Aldrich had been PHD’s auditing firm, Mr. Maffia indicated that he believed it had been at least 5 years; however, there was a previous partner in charge who had rotated off, and he had been involved for the past 3 years ● Chairperson Corrales noted that the bottom line looked great and it was something to be applauded ● Director King noted that Mr. Maffia had been very generous with his praise, and the person who did 90-95% of the work was Aimee Ebner, Financial Services Manager, and the part that she didn’t do was almost perfunctory <ul style="list-style-type: none"> ○ Virginia Barragan, VP Continuum of Care, agreed with Director King, stated that Ms. Ebner was is “tied at the hip” with her program managers, ensuring that every dime was fully accounted for, and every detail was in the books ○ Ms. Ebner acknowledged the praise and responded that they were welcome 		

V. MINUTES

A. Annual Organizational Meeting, Monday, June 6, 2022	NO MOTION	
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- Mrs. Howell stated that the minutes were not yet ready for review; however, she had consulted with counsel, who indicated that they could be submitted on a unanimous consent ballot when completed, similarly to how an overlooked resolution had been approved earlier this year

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VI. PRESENTATIONS

A. Update on Grants & Contract Inventory

Information only

- Director Greer requested that the number of people helped through the FHS grants be included in the materials presented to the PH Board's Community Relations Committee, for presentation to the full PH Board

- Utilizing the presentation included as Addendum B, Ms. Ebner presented the update
- CURRENT GRANTS (PAGE 27)
 - o First 5 Healthy Development Services (HDS)
 - In November, an additional grant of \$325K per year through FY2025 had been awarded, and Ms. Ebner was in the process of revising the budget for this year and years to follow
 - 1) The total award to date had been \$1.9M, and there was \$1.4M remaining in the FY2023 funds
 - 2) As of October, \$488K had been invoiced for salaries and benefits, \$55K in overhead had been received, and the overhead budget stood at \$180K, which might change due to the additional funding
 - o First 5 First Steps had been awarded \$878K, and there was \$589K remaining in FY2023 funds
 - As of October, \$280K had been invoiced, \$31K in overhead had been received, and the overhead budget stood at \$96K
 - o CalWORKs/CalLEARN were grants for home visiting programs for different populations
 - Individuals who qualified for the CalWORKs program could participate; and the CalLEARN program was primarily for young teenage mothers
 - CalWORKs had been awarded \$513K, and there was \$385K remaining in FY2023 funds
 - 1) As of October, \$128K had been invoiced, \$15K in overhead had been received, and the overhead budget stood at \$60K
 - CalLEARN had been awarded \$112K, and there was \$78K remaining in FY2023 funds
 - 1) As of October, \$34K had been invoiced, \$4K in overhead had been received, and the overhead budget stood at \$13K
 - o Green Oaks Ranch was a grant to provide forensic medical exams at an intake center for placement of abused, neglected or abandoned children taken into immediate protective custody, and it was an annual award of \$157K, with \$100K remaining in FY2023 funds
 - The CY2023 contract was under renewal review

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• DISCUSSION	CONCLUSIONS/ACTIONS	FOLLOW-UP/ RESP PARTY
<ul style="list-style-type: none"> – As of October, \$56K had been invoiced – In response to an inquiry by Director Greer related to the number of children served under the grant, Ms. Ebner responded that at every other Board meeting, presentations were made by the grant managers (Michelle Shores for FHS; Shirin Strauss for First Steps; and Cindy Linder for HDS), and those details were provided at that time <ul style="list-style-type: none"> 1) Ms. Barragan confirmed that the programs were usually presented in the spring/early summer meeting for the PHD Board; however, there was also a community summary made at the PH Board’s Community Relations Committee, meeting o Victim Services Fund was another FHS grant that provided reimbursement from the SD County Sheriff’s Department for the provision of forensic medical exams for victims on SD County on an on-call basis <ul style="list-style-type: none"> – It was a multi-year award in the total amount of \$2.2M, with \$433K remaining in FY2023 funds – As of October, \$66K had been invoiced o In-N-Out Burger Foundation was another FHS grant that provided funding for SART/Child Abuse Program community education <ul style="list-style-type: none"> – It was also a multi-year award in the total amount of \$73K, and \$7K had been awarded in November – Funds remaining from prior years were \$14K o CalOES was a grant through the County of San Diego District Attorney’s office to expand victim services and specialty trauma therapy services <ul style="list-style-type: none"> – Total awarded was \$100K; as of October, \$68K had been invoiced; and Ms. Ebner expected the funds to be fully expended by calendar year end • EXPIRED GRANTS (PAGE 30) <ul style="list-style-type: none"> o There were two grants that had expired, but for which funds remained on the books <ul style="list-style-type: none"> – Bioterrorism/Emergency Preparedness from the County’s Health & Human Services Agency, which was being used to pay for the Everbridge contract at around \$30-\$35K each year <ul style="list-style-type: none"> 1) At that rate, the \$72K remaining in the fund would be fully expended in the next 2 years o Marjorie Mosher Schmidt Foundation was funding for FHS education, and Ms. Ebner had confirmed with Michelle Shores that the \$829 remaining in the fund would be fully utilized this year • In response to an inquiry by Director Greer regarding what the Everbridge contract was for, Ms. Ebner stated that it was an emergency notification system that notified the employees within the district when there was a district-wide matter 		

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<ul style="list-style-type: none"> ○ When asked if Board members received those notifications, Director King clarified that it was a tiered system so only those who needed to be directly involved would receive the notifications (e.g., if there was a leak at one of the hospitals, only the maintenance team would be notified; if surveyors arrived, then everyone who needed to be involved with that coordination would be notified; if there was a storm/fire/environmental issue, that would likely go to everyone, including the Board ○ He further clarified that the notifications were made both via email and text message 		
VII. NEW BUSINESS (Continued)		
B. Executed, Budgeted, Routine Physician Agreements	MOTION: By Director Greer, seconded by Director Edwards-Tate and carried to approve the Executed, Budgeted, Routine Physician Agreements as presented. Carried by the following vote, taken by roll call: Chairperson Corrales – aye; Director Edwards-Tate – aye; Director Greer – aye; Director Hansen - aye; Director King – aye; Absent:	
<ul style="list-style-type: none"> • Director King stated that all 3 contracts were renewals of services with existing physicians <ul style="list-style-type: none"> ○ Both of Dr. Byron Chow’s agreements were for services he provided for the First 5 programs; and Dr. Mary Spencer’s was for her oversight of the Green Oaks Ranch program from a physician perspective <ul style="list-style-type: none"> – Dr. Spencer’s agreement was due to expire at the end of this month • Director Greer commented that Dr. Spencer’s was definitely a long-standing contract • Chairperson Corrales stated that all of the programs were phenomenal and had been doing so much for the community that they needed to be advertised more 		
D. Ratification of the FY2023 Operating Budget for Palomar Health Development	MOTION: By Director Greer, seconded by Director Edwards-Tate and carried to ratify the FY2023 Operating Budget for Palomar Health Development Carried by the following vote, taken by roll call: Chairperson Corrales – aye; Director Edwards-Tate – aye; Director Greer – aye; Director Hansen - aye; Director King – abstained as the department that prepares the budget reports to him; Absent:	
<ul style="list-style-type: none"> • Revenue was budgeted at \$330K, with the bulk of that amount coming from the First 5 grants, plus \$120K in interest income based on prior year • Expenses were anticipated to be \$60K, with \$18K for the audit, \$36K for the management services agreement, and \$5K for the accounting software fees 		

BOARD OF DIRECTORS – MEETING MINUTES – MONDAY, DECEMBER 12, 2022

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• DISCUSSION	CONCLUSIONS/ACTIONS	FOLLOW-UP/ RESP PARTY
<ul style="list-style-type: none"> • That brought the Net Income from Operations to \$269K • There was an imputed interest expense of \$68K for the Line of Credit with PH • The final Net Income was budgeted at \$200K • Director King added that grant revenues and related expenses were netted out of the budget 		
<p>E. October 2022 & YTD FY2023 Financial Report</p>	<p>MOTION: By Director Greer, seconded by Director Edwards-Tate and carried to approve the Fiscal Year-End June 30, 2022; and October 2022 & YTD FY2023 Financial Report as presented.</p> <p>Carried by the following vote, taken by roll call: Chairperson Corrales – aye; Director Edwards-Tate – aye; Director Greer – aye; Director Hansen – aye; Director King – abstained as the department that prepares the financials reports to him; Absent:</p>	
<ul style="list-style-type: none"> • Utilizing the presentation included as Addendum D, Ms. Ebner presented the financial reports for FYE June 30, 2022, and through October 2022 • BALANCE SHEET AT 6.30.2022 (PAGE 40) <ul style="list-style-type: none"> ○ Total Assets were just under \$2M, the bulk of which was cash ○ Total Liabilities were the same, with the largest having been the note payable to PH of about \$1.8M • INCOME STATEMENT AT 6.30.2022 (PAGE 41) <ul style="list-style-type: none"> ○ Total Revenue was unfavorable to budget by \$4,799, the bulk of which was due to grant revenue having been lower than anticipated <ul style="list-style-type: none"> – Lower salary & benefits expenses resulted in a little bit less revenue ○ Revenue Other was unfavorable to budget by \$390, which had been budgeted as anticipated interest from the money market account ○ Total Expenses was favorable to budget by \$1,957, primarily due to accounting fees having only been \$16K vs. the anticipated \$18K ○ Change in Net Assets was unfavorable to budget by \$2,842, which was very close to budget • FINANCIAL TREND (PAGE 42) <ul style="list-style-type: none"> ○ The trend line covered the last 5 years, with the dark blue representing PHD revenue, the light blue line representing PHD expenses ○ Revenue tended to stay around \$330K to \$340K; expense stayed around \$130K to \$140K; the purple line showed net income/profit, which was generally around \$200K ○ The small bars in orange were for revenues and expenses related to when the District did research studies through the Research Institute, which was no longer active 		

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- **INDIRECT REVENUE SOURCES (PAGE 43)**
 - This trend line also covered the last 5 years
 - The only sources in FY2018-FY2019 were from HDS and First Steps; the CalWORKs grant began in FY2020; and the CalLEARN grant began in FY2021
 - The blue line represented the budget, which had not quite been met in either FY2020 or FY2021, mainly due to a decrease in staffing due to COVID in FY2020; and because the initial budget provided by CalLEARN for FY2021 had been reduced when the award was received
 - In response to a request from Director Greer for an explanation of indirect revenue, Ms. Ebner stated that the grantors provided revenue for administrative services to keep the programs going, and the current rate for First 5 was 15% of salaries and benefits charged their grant programs, so if HDS had \$100K in salaries and benefits, PHD would get 15% of that amount, or \$15K
- **BALANCE SHEET AT OCTOBER 31, 2022 (PAGE 44)**
 - Total Assets and Liabilities were right around \$2M, with the bulk of the Assets in cash and the bulk of the Liabilities in the note payable to PH
- **INCOME STATEMENT AT OCTOBER 31, 2022 (PAGE 45)**
 - Total Revenue was very close to budget, with a small unfavorable variance of \$621
 - Revenue from the grants was unfavorable, but revenue from the money market account was favorable
 - 1) Salary increases had recently gone into effect, so Ms. Ebner anticipated the last half of the year would move closer to budget
 - Total Expenses had a favorable variance of \$3,352, but a large portion of that was a \$6K favorable variance due to accounting fees that had not yet hit, and that would decrease as those fees were paid
 - Change in Net Assets had a favorable variance of \$2,731
- **SOURCES OF INDIRECT REVENUE (PAGE 46)**
 - Again, just a chart showing the percentages of indirect revenues from the various granting agencies
- Chairperson Corrales commented that she felt it was incredible what the teams had been able to do considering the reliance on grantors

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AGENDA ITEM

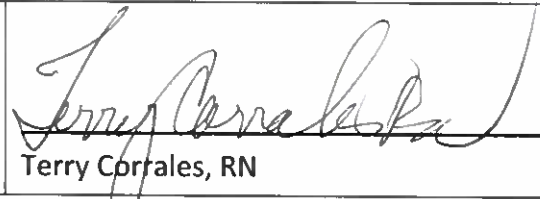
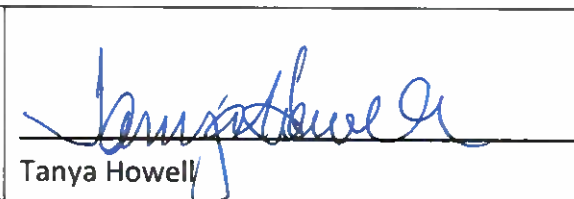
• DISCUSSION	CONCLUSIONS/ACTIONS	FOLLOW-UP/ RESP PARTY
<p>F. Resolution No. 12.12.22(02)-6 – Setting the Date, Time & Location for the Annual Organizational Meeting for Calendar Year 2023</p>	<p>MOTION: By Director Greer, seconded by Director Edwards-Tate, and carried to approve Resolution No. 12.12.22(02)-6 – Setting the Date, Time & Location for the Annual Organizational Meeting for Calendar Year 2023 for Monday, June 12, 2023, from 1:00 to 3:00 p.m.; Location TBD</p> <p>Carried by the following vote, taken by roll call: Director King – aye; Director Hansen – aye; Director Greer – aye; Director Edwards-Tate – aye; Chairperson Corrales – aye; Absent:</p>	
<ul style="list-style-type: none"> • Mrs. Howell stated that the Board was required to set a date, time and location for the annual organizational meeting for the following calendar year, and she referenced Page 10, on which three dates had been suggested <ul style="list-style-type: none"> o Those dates had been chosen because there was either a PH Board or PH Board Committee meeting on them • Chairperson Corrales suggested that the 12th of June would work, as the Directors would have to prepare for the PH Board meeting, and Director Edwards-Tate agreed 		

VIII. BOARD MEMBER COMMENTS/FUTURE AGENDA ITEMS

- Chairperson Corrales restated her amazement at how much these programs were doing for the community on such a small budget, and she felt the programs needed to be advertised more, which was something she would likely pursue with the marketing team

IX. ADJOURNMENT

MOTION: Chairperson Corrales adjourned the meeting at 12:57 p.m.

<p>SIGNATURES:</p>	 <p>PHD Board Chairperson Terry Corrales, RN</p>	<p>PHD Board Assistant</p>	 <p>Tanya Howell</p>
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Next Meeting: TBD