I. CALL TO ORDER

II. PUBLIC COMMENTS

  5 minutes allowed per speaker, with a cumulative total of 15 minutes per group

For further details and policy see Request for Public Comments notices available in the meeting room

III. *MINUTES – Regular Quarterly Meeting, October 31, 2012 (Addendum A – Pp20-26)

IV. OLD BUSINESS
  A. Prior Meeting Action Items
  B. Written

V. NEW BUSINESS
  C. Resolution No. 02.26.13(03)-3 – Acknowledging Appointment of the New Board and Confirming the Election of Officers for Calendar Year 2013
  D. Resolution No. 02.26.13(04)-4 – Establishing Regular Board Meetings: Calendar Year 2013
  E. Resolution No. 02.26.13(05)-5 – Confirming Appointment of the Officers of the Corporation for Calendar Year 2013
  F. Approval of New Corporate Logo

VI. PRESENTATIONS
  A. Update on Grants & Contracts Inventory and Proposals (Addendum E – Pp69-76)
  B. Program Activities Update:
     I. Interlink Pathways (Addendum F – Pp77-87)
     II. Research Institute (Addendum G – Pp88-95)

VII. INFORMATION ITEMS

VIII. BOARD MEMBER COMMENTS/FUTURE AGENDA ITEMS

IX. FINAL ADJOURNMENT

Next Regular Meeting: TO BE SCHEDULED

If you have a disability, please contact us 72 hours prior to scheduled meeting time by calling 760-740-6383 to arrange reasonable accommodations

*Asterisks indicate anticipated action; action is not limited to those designated items
*A map with directions to the conference room is included in the packet as Pp2&3
TO: Palomar Health Development Board

MEETING DATE: Tuesday, February 26, 2013

FROM: Tanya Howell, Corporate Secretary

Background: The minutes of the Regular Quarterly Meeting held on Wednesday, October 31, 2012, are respectfully submitted for approval (Addendum A).

Budget Impact: N/A

Staff Recommendation: Approval of the October 31, 2012, Regular Quarterly Meeting minutes.

Motion: X

Individual Action:  

Information:  

Required Time:
TO: Palomar Health Development Board

MEETING DATE: Tuesday, February 26, 2013

FROM: Tanya Howell, Corporate Secretary

Background: The attached Prior Meeting Action Items listing has been implemented as a means of tracking topics that require follow-up at future meetings.

Budget Impact: N/A

STAFF RECOMMENDATION:

Motion:

Individual Action:

Information: X

Required Time:
1 Interlink Pathways
   A 1/13/12: Need to have a dinner for principals and superintendents to discuss the program and determine how we can gain their support for it in their schools
   B 8/10/12: Next steps
      i Building partnerships with community agencies
      ii Focusing on workforce readiness
      iii Seeking placements for high school and post-high school students
   C 10/31/12: Interlink Pathways is undergoing a reorganization, and Brad Krietzberg will be making a full report on its personnel, budget and structure at the Annual Organizational Meeting in 2013
      i A request was made that his presentation include information on number of students who have finished the program and how many have actually gone into the healthcare field
   D 2/26/13: On agenda – can be removed from follow up
2 10/31/12: Research Institute Protocol Fees
   A An analysis of the cause for a lack of protocol fee revenues through RI will be presented at the next meeting
3 Green Oaks Ranch Grant
   A 10/31/12: The age group of the children assessed through the Green Oaks Ranch grant was requested and will be provided at the next meeting
   B 2/26/13: The age group is birth through 17 years of age
TO: Palomar Health Development Board of Directors

MEETING DATE: Tuesday, February 26, 2013

FROM: Robert A. Hemker, Chief Financial Officer

Background: Palomar Health Development, Inc. (“Palomar Health Development”) in accordance with Article VII Section 7.09 of its Bylaws, is required to make available an Annual Report within 120 days after the close of the Corporation’s fiscal year. The Annual Report is to be accompanied by either the accountant’s certification if audited, or the certificate of an authorized officer of the Corporation if unaudited. The Annual Audited Financial Report for Fiscal Year End 2012 – which will serve as the Annual Report – has been delayed for good and purposeful reasons.

The Annual Financial Report for Fiscal Year End 2012 (Audited) was prepared by AKT, LLP, of Carlsbad, California, and is hereby presented to the Board of Palomar Health Development for consideration and acceptance as the Annual Report (Addendum B).

Budget Impact: N/A


Motion:

Individual Action: X

Information:

Required Time:
TO: HD Board of Directors

MEETING DATE: Tuesday, February 26, 2013

FROM: Robert A. Hemker, CFO

Background: Healthy Development Services (HDS) is a newborn home visiting program for first-time parents. Currently in its eighth year of service, HDS works to ensure the health and well being of infants throughout San Diego County. As the contracted agency, Palomar Health Development is required to obtain an Independent Single Audit on the HDS Program, which is currently funded by the First 5 Commission of San Diego.

A copy of the audit, prepared by AKT, LLP, of Carlsbad, California, (Addendum C) is attached for the Board’s consideration and approval.

Budget Impact: N/A

STAFF RECOMMENDATION: Staff recommends adoption of Resolution 02.26.13(02)-2 authorizing acceptance of the Independent Audit of Healthy Development Services for Fiscal Year 2012-2010.

Motion:

Individual Action: X

Information:

Required Time:
Resolution No. 02.26.13(03)-3 Acknowledging Appointment of the New Board and Confirming Election of Officers for Calendar Year 2013

TO: Palomar Health Development Board

MEETING DATE: Tuesday, February 26, 2013

FROM: Robert A. Hemker, Chief Financial Officer

Background: The Bylaws of Palomar Health Development, Inc. (“Palomar Health Development”) {ARTICLE IV, Section 4.03(a) as amended October 25, 2006} require that the Board’s Annual Organizational Meeting be held in January. ARTICLE IV, Section 4.07, also requires that the Board elect officers at its Annual Organizational Meeting: “One member shall be elected as Chairperson, one as Vice Chairperson and one as Secretary. The Board may also appoint the Treasurer at the Annual Organizational Meeting.”

- The officers for Calendar Year 2012 were:
  - Linda Greer, RN, Chairperson
  - Bruce Krider, Vice-Chairperson
  - Marcelo Rivera, MD, Secretary
  - Bob Hemker, Treasurer

Budget Impact: N/A

STAFF RECOMMENDATION: Staff recommends that the Board elect a Chairperson, a Vice Chairperson and a Secretary and adopt Resolution No. 02.26.13(03)-3 after it is amended to include the names of those officers.

Motion:

Individual Action: X

Information:

Required Time:
RESOLUTION NO. 02.26.13(03)-3

RESOLUTION OF THE BOARD OF DIRECTORS OF
PALOMAR HEALTH DEVELOPMENT, INC.
ACKNOWLEDGING APPOINTMENT OF THE NEW BOARD AND CONFIRMING
ELECTION OF OFFICERS FOR CALENDAR YEAR 2013

WHEREAS, the Directors of Palomar Health Development, Inc. ("Palomar Health Development"), shall be elected by the Member—Palomar Health—pursuant to Section 3.01 of the Palomar Health Development Bylaws; and,

WHEREAS, the Member has duly appointed the following to serve as the directors of the Palomar Health Development Board: Linda C. Greer, R.N., Bruce G. Krider, M.A., T.E. Kleiter, Michael H. Covert, FACHE, and Robert A. Hemker; and,

WHEREAS, the Palomar Health Development Board shall elect officers at its annual organizational meeting, pursuant to Section 4.07 of the Palomar Health Development Bylaws;

NOW, THEREFORE, IT IS HEREBY RESOLVED by the Board of Directors of Palomar Health Development that the appointment of the new Board of Directors by the Member is hereby acknowledged and that the following slate of officers is hereby elected for Calendar Year 2012:

__________________________
Chairperson

__________________________
Vice-Chairperson

__________________________
Secretary

__________________________
Treasurer

PASSED AND ADOPTED at the meeting of the Board of Directors of Palomar Health Development held on February 26, 2013, by the following vote:

AYES: 

NOES: 

ABSENT: 

ABSTAINING:

DATED: February 26, 2013

APPROVED: ATTESTED:

__________________________
Chairperson
Board of Directors
Palomar Health Development, Inc.

__________________________
Secretary
Board of Directors
Palomar Health Development, Inc.
TO: Palomar Health Development Board

MEETING DATE: Tuesday, February 26, 2013

FROM: Tanya Howell, Corporate Secretary

Background: The Bylaws of Palomar Health Development, Inc. ("Palomar Health Development") \{ARTICLE IV, Section 4.03(b) as amended October 25, 2006\} require that the Board pass a Resolution stating the dates, times and places of the Board’s regular meetings for the calendar year.

As this is the Annual Organizational Meeting of the Board, the attached Resolution stating the dates, times and places of the Board’s regular meetings for the calendar year has been drafted. The following proposed dates are based on the Board’s vote at the October 2012 meeting to reduce the number of meetings from 4 per year to 3; and the time and location were chosen based on a request that the meetings be held in the evening.

<table>
<thead>
<tr>
<th>DATE</th>
<th>PURPOSE OF MEETING</th>
<th>LOCATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuesday June 25, 2013 6:00 p.m.</td>
<td>Regular Meeting Fiscal Year 2013</td>
<td>1st Floor Conf Room Palomar Health Administration 456 E. Grand Avenue Escondido</td>
</tr>
<tr>
<td>Tuesday October 29, 2013 6:00 p.m.</td>
<td>Regular Meeting Fiscal Year 2014</td>
<td>1st Floor Conf Room Palomar Health Administration 456 E. Grand Avenue Escondido</td>
</tr>
</tbody>
</table>

Budget Impact: N/A

Staff Recommendation: Staff recommends that the Board set the dates, times and places for the Board’s regular meetings for Calendar Year 2013, and that the Board adopt Resolution No. 02.26.13(04)-4 after it has been amended to reflect the dates, times and locations chosen.

Motion:

Individual Action: X

Information:

Required Time:
RESOLUTION NO. 02.26.13(04)-4

RESOLUTION OF THE BOARD OF DIRECTORS OF PALOMAR HEALTH DEVELOPMENT, INC.
ESTABLISHING REGULAR BOARD MEETINGS FOR CALENDAR YEAR 2013

WHEREAS, Palomar Health Development, Inc. [Palomar Health Development] is required, pursuant to Section 54954 of the California Government Code and Section 4.03(b) of the Palomar Health Development Bylaws, to pass a resolution adopting the time, place and location of the regular board meetings;

NOW, THEREFORE, IT IS HEREBY RESOLVED by the Board of Directors of Palomar Health Development that the following schedule of regular meetings will apply for its Calendar Year 2013 (January – December):

<table>
<thead>
<tr>
<th>CALENDAR YEAR 2013 BOARD MEETING SCHEDULE</th>
</tr>
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<tbody>
<tr>
<td>DATE</td>
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</tbody>
</table>

PASSED AND ADOPTED at the meeting of the Board of Directors of Palomar Health Development, held on February 26, 2013, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAINING:

DATED: February 26, 2013

APPROVED: ATTESTED:

Chairperson
Board of Directors
Palomar Health Development, Inc.

Secretary
Board of Directors
Palomar Health Development, Inc.
TO: Palomar Health Development Board

MEETING DATE: Tuesday, February 26, 2013

FROM: Robert A. Hemker, Chief Financial Officer

Background: The Bylaws of Palomar Health Development, Inc. (“Palomar Health Development”) {ARTICLE IV, Sections 5.01-5.02} state the officers of the Corporation shall be a President, a Secretary, and a Chief Financial Officer. Further, the officers of the Corporation shall be chosen annually by, and shall serve at the pleasure of, the Board.

- The Corporate Officers for calendar year 2012 were:
  - Michael Covert, FACHE, President
  - Bob Hemker, Chief Financial Officer
  - Tanya Howell, Secretary

Budget Impact: N/A

STAFF RECOMMENDATION: Staff recommends that the Board appoint a President, a Secretary and a Chief Financial Officer as officers of the Corporation, and adopt Resolution No. 02.26.13(05)-5 Confirming Appointment of the Officers of the Corporation for Calendar Year 2013 after it is amended to include the names of those officers.

Motion:

Individual Action: X

Information:

Required Time:
RESOLUTION NO. 02.26.13(05)-5

RESOLUTION OF THE BOARD OF DIRECTORS OF
PALOMAR HEALTH DEVELOPMENT, INC.
CONFIRMING APPOINTMENT OF THE OFFICERS OF THE CORPORATION
FOR CALENDAR YEAR 2013

WHEREAS, the Officers of the Corporation Palomar Health Development, Inc. [Palomar Health Development] shall be a President, a Chief Financial Officer, and a Secretary – pursuant to Section 5.01 of the Palomar Health Development Bylaws; and,

WHEREAS, the Officers of the Corporation Palomar Health Development shall be chosen annually by, and shall serve at the pleasure of, the Board – pursuant to Section 5.02 of the Palomar Health Development Bylaws;

NOW, THEREFORE, IT IS HEREBY RESOLVED by the Board of Directors of Palomar Health Development that the following slate is hereby appointed Officers of the Corporation Palomar Health Development for Calendar Year 2013:

_________________________  President
_________________________  Chief Financial Officer
_________________________  Secretary

PASSED AND ADOPTED at the meeting of the Board of Directors of Palomar Health Development held on February 26, 2013, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAINING:

DATED: February 26, 2013

APPROVED:_________________________
Chairperson
Board of Directors
Palomar Health Development, Inc.

ATTESTED:_________________________
Secretary
Board of Directors
Palomar Health Development, Inc.
Approval of New Corporate Logo

TO: Palomar Health Development Board

MEETING DATE: Tuesday, February 26, 2013

FROM: Robert A. Hemker, Chief Financial Officer

Background: At the meeting on October 31, 2012, the Board of Palomar Pomerado North County Development, Inc. (the “Corporation”), adopted Resolution No. 10.31.12(08)-1 Superseding Resolution No. 08.10.12(07)-4 Regarding Corporate Name Change, which corrected the effective date of the name change of the Corporation to, “effective as of September 26, 2012”.

Following that name change, the Palomar Health Marketing Department was asked to create a new logo for the Corporation that would accurately reflect the name change and that also incorporated the new logo adopted by Palomar Health. The newly suggested logo is embedded below and has also been incorporated into several documents throughout the agenda packet so that the Board would have several examples of its use.

Budget Impact: N/A

STAFF RECOMMENDATION: Staff recommends approval of the new logo as presented.

Motion: X

Individual Action:

Information:

Required Time:
TO: Palomar Health Development Board

MEETING DATE: Tuesday, February 26, 2013

FROM: Bob Hemker, Chief Financial Officer

Background: At each regularly scheduled meeting of the Board of Directors of Health Development, the staff members provide the most recent financial report. Kristine Roberts will review the Health Development/Research Institute Fiscal Year 2013 Financial Reports, attached as Addendum D.

Budget Impact: None.

STAFF RECOMMENDATION:

Motion:

Individual Action:

Information: X

Required Time:
TO: Palomar Health Development Board

MEETING DATE: Tuesday, February 26, 2013

FROM: Bob Hemker, Chief Financial Officer

Background: Aimee Jones will update the Board on grants managed by Health Development (Addendum E).

Budget Impact: None.

STAFF RECOMMENDATION:

Motion:

Individual Action:

Information: X

Required Time:
TO: Palomar Health Development Board

MEETING DATE: Tuesday, February 26, 2013

FROM: Brad Krietzberg, Director Organizational Learning
       Christi Perdomo, Manager Career Development

Background: Interlink Pathways is currently in Year 2 working under a grant
from the Gary and Mary West Foundation providing funding through July 31, 2013. This
is an informational presentation to provide the following updates: 1) West reporting
relationship 2) Interlink Pathways Structure 3) progress to date and 4) future of Interlink
Pathways.

Budget Impact: The work of Interlink Pathways has been budgeted from the Gary
and Mary West Foundation grant, of which we have now received the full amount.

STAFF RECOMMENDATION:

Motion: 

Individual Action: 

Information: X

Required Time:
TO: Palomar Health Development Board
MEETING DATE: Tuesday, February 26, 2013
FROM: Melissa Wallace, Manager Revenue Cycle Analytics

**Background:** Update to the Board of Research Institute activities during FY13 and changes to the Administrative Review Process for clinical trials (*Addendum G*).

**Budget Impact:** None

**STAFF RECOMMENDATION:**

Motion:

Individual Action:

Information: X

Required Time:
ADDENDUM A
I. CALL TO ORDER
- Chairperson Greer called the meeting to order at 6:04 p.m.
- Quorum comprised of Directors Covert, Greer, Hemker, Krider and Rivera
- Attendees – Virginia Barragan, Janine Sarti, Cindy Linder
- Notice of Meeting and Full Agenda Packet were posted at Palomar Health facilities and on the Health Development (HD) home page of the Palomar Health web site on Wednesday, October 24, 2012, which is consistent with legal requirements. Notice of that posting was also made via email.

II. PUBLIC COMMENTS
- There were no public comments

III. MINUTES* – Regular Quarterly Meeting, August 10, 2012
- No discussion

MOTION: By Director Krider, seconded by Director Hemker and carried to approve the minutes of the Regular Quarterly Meeting of August 10, 2012. All in favor. None opposed. Dr. Rivera abstained as he was not present at that meeting.

IV. OLD BUSINESS
- Prior Meeting Action Items
  - Mr. Hemker noted that the only pending item was related to Interlink Pathways, and that discussion has been postponed until the next meeting

V. NEW BUSINESS*
   A. Resolution No. 10.31.12(08)-1 Superseding Resolution No. 08.10.12(07)-4 Regarding Corporate Name Change
- Director Hemker stated that the original Resolution had been written for consistency with the manner in which the District’s name change had been formalized, but the correct effective date for a 501(c)3 corporation was based on different timing than that of the District

MOTION: By Director Hemker seconded by Director Rivera and carried to approve Resolution No. 10.31.12(08)-1 Superseding Resolution No. 08.10.12(07)-4 Regarding Corporate Name Change. All in favor. None opposed.
# HEALTH DEVELOPMENT BOARD OF DIRECTORS – MEETING MINUTES – WEDNESDAY, OCTOBER 31, 2012

## B. Resolution No. 10.31.12(09)-2 Authorizing the Adoption of Bylaw Changes

- Director Hemker stated that most of the recommended bylaw changes had to do with the name changes of the District and the Corporation
- There were also two other recommended changes
  - Setting of the date, location and time of the Annual Organizational meeting prior to the commencement of the upcoming calendar year
  - A change in the frequency of meetings from quarterly to once every four months, for a total of 3 rather than 4 meetings annually

**MOTION:** By Director Hemker, seconded by Director Krider and carried to approve Resolution No. 10.31.12(09)-2 Authorizing the Adoption of Bylaw Changes. All in favor. None opposed.

## C. Resolution No. 10.31.12(10)-3 – Setting the Date, Time and Location for the Annual Organizational Meeting for Calendar Year 2013

- Director Hemker stated that setting the date and location for this meeting – as approved via prior Resolution, would allow better timing for the appointment of members to this Board by the Palomar Health Board Chair
  - Recommendation was for dates near the end of January or in February, with the following potential dates, all options located in the first floor conference room at the Grand Building
    - January 22, 2013 from 12:00 noon to 2:00 p.m.
    - February 1, 2013 from 12:00 noon to 2:00 p.m.
    - February 8, 2013, from 12:00 noon to 2:00 p.m.
    - February 26, 2013, from 5:30/6:00 to 7:30/8:00 p.m.
  - Chairperson Greer stated that evening meetings worked better for her

**MOTION:** By Director Krider, seconded by Director Hemker and carried to approve Resolution No. 10.31.12(10)-3 – Setting the Date, Time and Location for the Annual Organizational Meeting for Calendar Year 2013 as Tuesday, February 26, 2013, from 6:00 to 8:00 p.m., to be held in the first floor conference room at 456 E. Grand Avenue, Escondido, CA. All in favor. None opposed.

## D. YTD Financial Report

- Utilizing the presentation included in the agenda packet as Addendum C, Director Hemker presented the financial report for the first quarter of fiscal year 2013 on behalf of Kristine Roberts, Palomar Health staff for Health Development Finances
  - Health Development had a negative variance of $5990 in expenses
    - Due to the updated agreement (as approved at the last Board meeting) to pay an additional administrative fee to Palomar Health for the time devoted by their Finance Department staff to the administration of Health Development and Research Institute (RI) matters
    - That agreement was approved after the budget had been finalized and approved
  - There was also a negative $5121 variance in Research Institute revenues
    - What we normally see as revenue through the RI are protocol revenues (e.g., fees paid for a request for a protocol to be reviewed by the IRC)
    - Those revenues are not materializing
      1) Director Hemker has asked the team to determine if it’s a logistic hold up (e.g., trials have been submitted but are bogged down and not making it through the IRC process) or if we are just not getting any new trials

**MOTION:** By Director Hemker, seconded by Director Rivera and carried to approve the YTD Financial Report for Health Development and the Research Institute as presented. All in favor. None opposed.

- An analysis of the cause for a lack of protocol fee revenues through RI will be presented at the next meeting
### AGENDA ITEM

#### DISCUSSION

- Several years ago, the Board made a conscious decision to keep Health Development and the RI as close to break-even as possible, and over the last 3 fiscal years—continuing through the current fiscal year—they have held at break-even or with a slight profit
  - Therefore, Health Development (through the RI) is the accommodating entity for clinical trials, but it does not actively solicit business
  - As physicians identify interest and present trials that appear self-sustaining, they are reviewed
  - Health Development and the RI get an administrative spin-off, but the profits inure to the physician or the trial; and Palomar Health gets new patient activity from them
    1) The protocol fees are the only revenue available through those trials

- Director Covert stated that further review of the plan for Health Development going forward may become part of the discussions in Palomar Health’s strategic planning sessions in the future

### PRESENTATIONS

#### A. Update on Healthy Development Services (HDS) Grant

*Note: This topic was taken out of agenda order, immediately following the approval of the minutes, but was reinserted in agenda order for ease of comparison for the reader*

Utilizing the presentation included as Addendum D in the agenda packet, Cindy Linder, RN, Regional Coordinator for HDS, provided an update on the status of the program, noting that there was more detailed information available for review upon request:

- We are in year 3 of 5-year contract for HDS
- Added Motiva as a new subcontracted agency due to a large number of behavioral cases
- Slide 2 provides a snapshot of who we’re serving, and the percentages are reflective of our community
  - The higher percentage of children 0-3 is good because those are the ages where service needs are better able to be defined
- Slide 3 – Targets vs. Actual Numbers
  - Parent education had a tiny shortfall vs. target over the last fiscal year, but we have now exceeded the target during the first quarter of this fiscal year
    - Providing more outreach, which is necessary in order to provide our community partners with feedback to show a difference in the education
    - Later in her presentation, Ms. Linder will also be addressing creative strategies that have been used, including putting strategies into place to recruit parents from our own birth centers
- Slide 4 – Tools for measuring gains
  - We are now able to pull data out using these tools
  - The data is broken down into multiple domains
- Slide 5 – Quality Assurance Survey
  - Although not required, HDS has been doing surveys since the beginning of the contract
    - Do not utilize Press Ganey, but they match as closely as they can to those surveys

*Information Only*
<table>
<thead>
<tr>
<th>AGENDA ITEM</th>
<th>CONCLUSIONS/ACTION</th>
<th>FOLLOW-UP/RESP. PARTY</th>
</tr>
</thead>
<tbody>
<tr>
<td>DISCUSSION</td>
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<tr>
<td>– Word of mouth is a strong source of referrals</td>
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<td>– Slide 6 – Program Updates</td>
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<tr>
<td>o Transition in leadership, including a change to the department name from Developmental Services to Rehab Services</td>
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<tr>
<td>o Ms. Barragan has been partnered with HDS since before the grant was finalized, and she worked closely in the development of the grant proposal as this was first opportunity to provide rehab services to young children</td>
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<tr>
<td>o Newest updates are to try to improve access to services</td>
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<tr>
<td>– In the past, the coordinators had people come to them, but they have now taken the time to take the services where they are needed, with rural outreach in Ramona, Indian Health and Fallbrook, where they provide quarterly parent education sessions in the community</td>
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<tr>
<td>– Developmental assessments are also performed at Indian health</td>
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<tr>
<td>o The team is also making sure that those children who are going to need help and support as they enter school go there with appropriate information in place</td>
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<tr>
<td>– In Escondido and Fallbrook, they have taken the time to set up and develop long-term relationships</td>
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<tr>
<td>1) The school district is provided with a package on each child that contains that child’s plan, which they can pick up move forward with vs. starting from scratch</td>
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<tr>
<td>– They are rolling the program to Poway and San Marcos and would like to offer a standardized approach to smaller districts as well</td>
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<tr>
<td>– It has taken 2 years for this part of the program to develop</td>
<td></td>
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<tr>
<td>o HDS services are just for children 0-5, but the program may acquire a brother or sister if they are also under 5 and unfunded</td>
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<tr>
<td>– After the age of 5, the child then goes to the school system</td>
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<tr>
<td>o Transportation Van has a dedicated driver, and they transport about 30 families within each month to appointments</td>
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<td></td>
</tr>
<tr>
<td>– Slide 7 – Program Highlights</td>
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<tr>
<td>o Music Therapy provides interaction by using music instead of regular tests, which provides the therapist with an opportunity to watch the interactions instead of leading them</td>
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<tr>
<td>o As the San Diego Children’s Discovery Museum develops interactive exhibits, HDS consults with them on appropriate interaction</td>
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<tr>
<td>– Families who complete the program get a free annual membership at museum, which allows the parents to actually learn how to do physical &amp; occupational therapy with 3-5 toddlers at the museum and return there to do their therapy instead of trying to create ways of doing it at home</td>
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<tr>
<td>– Stats on how many families have actually completed the services (believed to be about 75%) are available</td>
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<tr>
<td>– There is a higher completion rate on therapy</td>
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</tbody>
</table>
**I.A. AGENDA ITEM**

**DISCUSSION**

- They also monitor the cancellation/no-show rate, noting that the last provider was at 30-50%, and at its high our program only had about a 13% rate
- The Board thanked both Ms. Linder and Ms. Barragan for the update

**CONCLUSIONS/ACTION**

**FOLLOW-UP/ RESP. PARTY**

<table>
<thead>
<tr>
<th>B. Update on Grants and Contracts Inventory</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utilizing the presentation included as Addendum E of the agenda packet, Director Hemker provided an update on behalf of Aimee Jones, Palomar Health staff for Health Development/Research Institute grants</td>
</tr>
<tr>
<td>Bioterrorism is still proceeding well, with $178K on the books to be used through this period</td>
</tr>
<tr>
<td>o Will get another $320K for funding through 2018</td>
</tr>
<tr>
<td>o There is some flexibility in what the funds can be used for, and operations is reviewing alternatives for their use, including the securing of doors on the campuses</td>
</tr>
<tr>
<td>Green Oaks Ranch was extended for 6 months</td>
</tr>
<tr>
<td>o A new RFP just went out</td>
</tr>
<tr>
<td>o As a good example of recognizing the value of the grant, in order to get the new proposal price competitive, Health Development agreed to waive its indirect, based on a determination that the other benefits to Palomar Health as a whole were worth giving up the indirect (which was about 10%)</td>
</tr>
<tr>
<td>MAA</td>
</tr>
<tr>
<td>o We had decided to stop participating in this program, based on the way the County had chosen to calculate the time study, which would have cost more in man-hour dollars than we were getting back</td>
</tr>
<tr>
<td>o They have not yet gone to that new program and are still giving us money based on the last time study</td>
</tr>
<tr>
<td>o There is a meeting in January to “renegotiate”, but the last few meetings have resulted in them just handing us the money based on the prior study</td>
</tr>
<tr>
<td>National Children’s Alliance actually just granted us the $10K, which will be used for a bilingual interviewer for the SART Program</td>
</tr>
<tr>
<td>Parker is a supplemental grant to the one received via the Komen foundation</td>
</tr>
<tr>
<td>o Currently have $50K on the books to spend, and there is no additional grant in play</td>
</tr>
<tr>
<td>HDS was granted an additional award of just over $2M from the County for FY2013</td>
</tr>
<tr>
<td>Palliative/Spiritual Care Grant</td>
</tr>
<tr>
<td>o Received an extension of funds through FY2013, although the FY2013 Palomar Health budget was finalized on the assumption there would be no grant funds and funded the program fully through the Palomar Health operating budget</td>
</tr>
<tr>
<td>o Funding should provide a $200K positive offset to that budget</td>
</tr>
<tr>
<td>o Service program that is free to the people</td>
</tr>
<tr>
<td>o The original grant was seed money to begin a program, and this year we actually formalized and adopted the program</td>
</tr>
</tbody>
</table>

*Information only*

- What is age group for children assessed through the Green Oaks Ranch grant?
- Brad Krietzberg will be providing a full update on the Interlink Pathways program at the February meeting
  - A request was made that his presentation include information on the number of students who have finished the program and how many have actually gone into the healthcare field
<table>
<thead>
<tr>
<th>AGENDA ITEM</th>
<th>CONCLUSIONS/ACTION</th>
<th>FOLLOW-UP/ RESP. PARTY</th>
</tr>
</thead>
<tbody>
<tr>
<td>INTERLINK PATHWAYS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>o The program has moved more to employment type navigators as opposed to straight student navigators</td>
<td></td>
<td></td>
</tr>
<tr>
<td>o Do not have information on how many of the students have finished the program and how many have actually gone into healthcare fields, but this program is scheduled for review at the February meeting</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PENDING GRANTS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>o First 5 Targeted At Risk Home Visiting Program</td>
<td></td>
<td></td>
</tr>
<tr>
<td>− The grant writer is ready to begin once the RFP is released</td>
<td></td>
<td></td>
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<tr>
<td>o Komen</td>
<td></td>
<td></td>
</tr>
<tr>
<td>− We should know by next month if we've been selected to go to the next level</td>
<td></td>
<td></td>
</tr>
<tr>
<td>o CalTrans</td>
<td></td>
<td></td>
</tr>
<tr>
<td>− That agency is still &quot;reviewing documentation&quot; before releasing funds</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

VII. INFORMATION ITEMS

- None

VIII. BOARD MEMBER COMMENTS/FUTURE AGENDA ITEMS

- None

IX. ADJOURNMENT

The meeting was adjourned by Chairperson Greer at 6:55 p.m.

SIGNATURES:

| HD Board Secretary | Marcelo R. Rivera, M.D. | Board Assistant | Tanya Howell |

Next Meeting: Annual Organizational Meeting for Calendar Year 2013 – Tuesday, February 26, 2012, 6:00-8:00 p.m., 1st Floor Conf Room, 456 E. Grand Avenue
ADDENDUM B
RESOLUTION NO. 02.26.13(01)-1

RESOLUTION OF THE BOARD OF DIRECTORS OF PALOMAR HEALTH DEVELOPMENT, INC.
AUTHORIZING ACCEPTANCE OF THE INDEPENDENT AUDIT OF THE ANNUAL FINANCIAL REPORT OF PALOMAR HEALTH DEVELOPMENT, INC., FOR FISCAL YEAR END 2012 AS THE ANNUAL REPORT
(in accordance with Article VII, Section 7.09 of the Bylaws of Palomar Health Development, Inc.)

WHEREAS, Palomar Health Development, Inc. is required, pursuant to Section 54954 of the California Government Code and Article VII, Section 7.09 of the Palomar Health Development Bylaws, to pass a resolution accepting the Annual Report; and,

WHEREAS, no later than one hundred twenty (120) days after the close of the Corporation’s fiscal year, the Corporation shall make available to each director an Annual Report in accordance with Section 6321 of the Law, which shall be accompanied by any report of independent accountants or, if there is no such accountant’s report, the certificate of an authorized officer of the Corporation that such statements were prepared without audit from the books and records of the Corporation; and,

WHEREAS, it is understood that the Fiscal Year End 2012 Audit was delayed for good and purposeful reasons and, therefore, not completed within 120 days;

NOW, THEREFORE, IT IS HEREBY RESOLVED by the Board of Directors of Palomar Health Development that the Annual Financial Report for Fiscal Year End 2012 (Audited) of Palomar Health Development, Inc., a California Nonprofit Public Benefit Corporation, as augmented by the report of independent accountants of AKT, LLP, of Carlsbad, California, dated February 14, 2013, and adopted in the form attached hereto, is hereby accepted as the Annual Report of Palomar Health Development.

PASSED AND ADOPTED at the meeting of the Board of Directors of Palomar Health Development, held on February 26, 2013, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAINING:

DATED: February 26, 2013

APPROVED: ATTESTED:

Chairperson
Board of Directors
Palomar Health Development, Inc.

Secretary
Board of Directors
Palomar Health Development, Inc.
Palomar Health Development, Inc.

Report to the Board of Directors

Year Ended June 30, 2012
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- Statement on Auditing Standards No. 114 Communication Letter 3
- Management Representation Letter 5

Healthy Development Services Program:
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- Statement on Auditing Standards No. 114 Communication Letter 10
- Management Representation Letter 12

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Executive Summary

To assist you in your responsibilities as a member of the Board of Directors, this section summarizes the most significant conclusions reached and issues addressed during our audits of Palomar Health Development, Inc. and the Healthy Development Services Program for the year ended June 30, 2012.

Palomar Health Development, Inc.

- Our audit scope was in accordance with that communicated in our engagement letter dated August 29, 2012.
- We rendered an unqualified opinion on the June 30, 2012 financial statements.
- We identified no conditions which we consider to be material weaknesses in internal controls.
- Audit areas designated as greater than normal risk have been addressed and resolved to our satisfaction, in the context of the overall fairness of the presentation of the financial statements.
- We received the full cooperation of management and staff throughout the audit and were kept informed as to developments and plans affecting our audit scope.

Healthy Development Services Program

- Our audit scope was in accordance with that communicated in our engagement letter dated August 29, 2012.
- We rendered an unqualified opinion on the statement of cash receipts and disbursements for the twelve months ended June 30, 2012.
- We identified no conditions which we consider to be material weaknesses in internal controls.
- We received the full cooperation of management and staff throughout the audit and were kept informed as to developments and plans affecting our audit scope.

The following report includes required communications and additional information for the benefit of the Board of Directors.
February 14, 2013

To the Board of Directors
Palomar Health Development, Inc.
Escondido, California

In planning and performing our audit of the financial statements of Palomar Health Development, Inc. (Organization) as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization’s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of the Board of Directors and management of Palomar Health Development, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

AKT LLP
Carlsbad, California
February 14, 2013

To the Board of Directors
Palomar Health Development, Inc.
Escondido, California

We have audited the financial statements of Palomar Health Development, Inc. (Organization) for the year ended June 30, 2012, and have issued our report thereon dated February 14, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. Professional standards require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices
Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2012. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements is:

Management’s estimate for the allowance for doubtful accounts. The estimate is based on historical collection rates and an analysis of the collectability of individual accounts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements are Note 3 and Note 6 to the financial statements.

Difficulties Encountered in Performing the Audit
We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements
Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached proposed journal entry summarizes the uncorrected misstatement of the financial statements. Management has determined that its effect is immaterial to the financial statements taken as a whole. The following misstatement detected as a result of audit procedures was corrected by management: adjusting journal entry #1 to correct March 2012 double interest expense recorded. The adjusting and proposed journal entries are summarized in the attached journal entries report for your reference.
Disagreements with Management
For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations
We have requested certain representations from management that are included in the management representation letter dated February 14, 2013. A copy of that letter is included in this report for your reference.

Management Consultations with Other Independent Accountants
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of Palomar Health Development, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

AKT LLP

AKT LLP
Carlsbad, California
February 19, 2013

AKT LLP
5946 Priestly Drive, Suite 200
Carlsbad, CA 92008

We are providing this letter in connection with your audit of the financial statements of Palomar Health Development, Inc. (Organization) as of June 30, 2012 and 2011 and for the years then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, changes in net assets, and cash flows of the Organization in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation in the financial statements of financial position, changes in net assets, and cash flows in conformity with generally accepted accounting principles. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, as of February 14, 2013, the following representations made to you during your audit(s).

1) The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles and include all assets and liabilities under the Organization’s control.

2) We have made available to you all—
   a) Financial records and related data and all audit or relevant monitoring reports, if any, received from funding sources.
   b) Minutes of the meetings of Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.

3) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

4) There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements or the schedule of expenditures of federal awards.

5) We believe the effects of the uncorrected financial statement misstatements summarized in the schedule attached are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

6) We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.

7) We have no knowledge of any fraud or suspected fraud affecting the Organization involving—
   a) Management,
   b) Employees who have significant roles in internal control, or
   c) Others where the fraud could have a material effect on the financial statements.

8) We have no knowledge of any allegations of fraud or suspected fraud affecting the Organization received in communications from employees, former employees, grantors, regulators, or others.

9) We have a process to track the status of audit findings and recommendations.

10) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

11) The Organization has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net asset balances.

12) The following, if any, have been properly recorded or disclosed in the financial statements:
   a) Related party transactions, including revenues, expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
b) Guarantees, whether written or oral, under which the Organization is contingently liable.

c) All accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates and measurements. We believe the estimates and measurements are reasonable in the circumstances, consistently applied, and adequately disclosed.

13) There are no estimates that may be subject to a material change in the near term that have not been properly disclosed in the financial statements. We understand that near term means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations existing at the date of the financial statements that make the organization vulnerable to the risk of a near-term severe impact that have not been properly disclosed in the financial statements.

14) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

15) Palomar Health Development, Inc. is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Organization’s tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.

16) There are no—

a) Violations or possible violations of laws and regulations and provisions of contracts and grant agreements whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

b) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with FASB Accounting Standards Codification 450, Contingencies or which would affect federal award programs and we have not consulted a lawyer concerning litigation, claims, or assessments.

c) Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB Accounting Standards Codification 450, Contingencies.

d) Designations of net assets disclosed by you that were not properly authorized and approved, or reclassifications of net assets that have not been properly reflected in the financial statements.

17) As part of your audit, you assisted with preparation of the financial statements and related notes and the schedule of expenditures of federal awards. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and the schedule of expenditures of federal awards.

18) The Organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

19) We have complied with all restrictions on resources (including donor restrictions) and all aspects of contractual and grant agreements that would have a material effect on the financial statements in the event of noncompliance. This includes complying with donor requirements to maintain a specific asset composition necessary to satisfy their restrictions.

20) We acknowledge our responsibility for presenting the supplementary information in accordance with accounting principles generally accepted in the United States of America, and we believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
21) With respect to federal award programs:

a) We are responsible for understanding and complying with, and have complied with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, including requirements relating to preparation of the schedule of expenditures of federal awards.

b) We have prepared the schedule of expenditures of federal awards in accordance with OMB Circular A-133 and have identified and disclosed in the schedule expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.

c) We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) in accordance with the requirements of OMB Circular A-133 §310.b, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Circular. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period, and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.

d) We have identified and disclosed to you all of our government programs and related activities subject to OMB Circular A-133, and included in the SEFA expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.

e) We are responsible for understanding and complying with, and have complied with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.

f) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance requirements applicable to federal programs that provide reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.

g) We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.

h) We have received no requests from a federal agency to audit one or more specific programs as a major program.

i) We have complied with the direct and material compliance requirements, including when applicable, those set forth in the *OMB Circular A-133 Compliance Supplement*, relating to federal awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the requirements of federal awards.

j) We have disclosed to you any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor’s report.

k) Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB Circular A-122, *Cost Principles for Nonprofit Organizations*, and Subpart C, “Cost Sharing and Matching,” of OMB Circular A-110, *Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations.*
1) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.

m) We have made available to you all documentation relating to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.

n) There are no subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.

o) There are no known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor’s report.

p) No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies in internal control over compliance (including material weaknesses in internal control over compliance), have occurred subsequent to the date as of which compliance was audited.

q) Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.

r) The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.

s) We have monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of OMB Circular A-133.

t) We have charged costs to federal awards in accordance with applicable cost principles.

u) We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by OMB Circular A-133 and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.

v) We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by OMB Circular A-133.

w) We have disclosed to you all contracts or other agreements with service organizations, and we have disclosed to you all communications from the service organizations relating to noncompliance at the service organizations.

x) We have not received any funds during the year ended June 30, 2012 that would be required to be separately disclosed as ARRA funds on the SEFA.

22) No events, including instances of noncompliance, have occurred subsequent to the statement of financial position date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs.

[Signature]
Name: Robert A. Hemker
Title: Chief Financial Officer

[Signature]
Name: Kristine Roberts
Title: Financial Services Manager
February 14, 2013

To the Board of Directors
Palomar Health Development, Inc.
Healthy Development Services Program
Escondido, California

In planning and performing our audit of the statement of cash receipts and disbursements for the Healthy Development Services Program (Program), administered by Palomar Health Development, Inc. and funded by the First 5 Commission of San Diego, for the twelve months ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Program’s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the statement of cash receipts and disbursements, but not for the purpose of expressing an opinion on the effectiveness of the Program’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Program’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This information is intended solely for the information and use of the Board of Directors, management, and the First 5 Commission of San Diego and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

AKT LLP
Carlsbad, California
February 14, 2013

To the Board of Directors
Palomar Health Development, Inc.
Healthy Development Services Program
Escondido, California

We have audited the statement of cash receipts and disbursements for the Healthy Development Services Program (Program), administered by Palomar Health Development, Inc. and funded by the First 5 Commission of San Diego, for the twelve months ended June 30, 2012, and have issued our report thereon dated February 14, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. Professional standards require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices
Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Program are described in Note 1 to the statement of cash receipts and disbursements. No new accounting policies were adopted and the application of existing policies was not changed during the twelve months ended June 30, 2012. We noted no transactions entered into by the Program during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the statement of cash receipts and disbursements in the proper period.

The disclosures in the statement of cash receipts and disbursements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There are no sensitive disclosures affecting the statement of cash receipts and disbursements.

Difficulties Encountered in Performing the Audit
We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements
Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no such misstatements.

Disagreements with Management
For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the statement of cash receipts and disbursements for the auditors’ report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations
We have requested certain representations from management that are included in the management representation letter dated February 14, 2013. A copy of that letter is included in this report for your reference.
**Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Program’s statement of cash receipts and disbursements or a determination of the type of auditors’ opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Program’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of the Healthy Development Services Program, administered by Palomar Health Development, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

\[
\text{AKT LLP}\]

AKT LLP
Carlsbad, California
February 19, 2013

AKT LLP
5946 Priestly Drive, Suite 200
Carlsbad, CA 92008

We are providing this letter in connection with your audit of the statement of cash receipts and disbursements of the Healthy Development Services Program (Program), administered by Palomar Health Development, Inc. and funded by the First 5 Commission of San Diego, for the twelve months ended June 30, 2012 for the purpose of expressing an opinion as to whether the statement presents fairly, in all material respects, the Program's activities in conformity with the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation of the statement of cash receipts and disbursements in conformity with the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of February 14, 2013, the following representations made to you during your audit.

1) The financial statement referred to above is fairly presented in conformity with the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

2) We have made available to you all Financial records and related data relative to the Program and all audit or relevant monitoring reports, if any, received from funding sources.

3) No minutes have been prepared for the Program.

4) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices relative to the Program.

5) There are no material transactions that have not been properly recorded in the accounting records underlying the statement of cash receipts and disbursements.

6) We believe the effects of the uncorrected financial statement misstatements summarized in the schedule attached are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

7) We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.

8) We have no knowledge of any fraud or suspected fraud affecting the Program involving—
   a) Management,
   b) Employees who have significant roles in internal control, or
   c) Others where the fraud could have a material effect on the statement of cash receipts and disbursements.

9) We have no knowledge of any allegations of fraud or suspected fraud affecting the Program received in communications from employees, former employees, grantors, regulators, or others.
10) We have a process to track the status of audit findings and recommendations, if any.

11) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

8. The following, if any, have been properly recorded or disclosed in the statement of cash receipts and disbursements:
   a) Related party transactions.
   b) Guarantees, whether written or oral, under which the Program is contingently liable.

12) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of the statement of cash receipts and disbursements amounts or other financial data significant to the audit objectives.

13) There are no—
   a) Violations or possible violations of laws and regulations and provisions of contracts and grant agreements whose effects should be considered for disclosure in the statement of cash receipts and disbursements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
   b) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the statement of cash receipts and disbursements in accordance with FASB Accounting Standards Codification 450, and we have not consulted a lawyer concerning litigation, claims, or assessments.
   c) Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB Accounting Standards Codification 450, Contingencies.

14) As part of your audit, you assisted with preparation of the statement of cash receipts and disbursements and related notes. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for the statements of cash receipts and disbursements and related notes.

15) The Program has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

16) We acknowledge our responsibility for understanding and complying with, and have complied with in all material respects, the requirements of laws, regulations, and the provisions of contracts and grant agreements related to the Program and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on the Program.

17) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance requirements applicable to the Program that provides reasonable assurance that we are managing the Program in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on the Program. We believe the internal control system is adequate and is functioning as intended. Also, no changes have been made in internal control over compliance or other factors to the date of this letter that might significantly affect internal control.

18) We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with grant agencies relating to the Program.

19) We have disclosed any communications from grantors concerning possible noncompliance with the applicable compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditors' report.

20) We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the
objectives of the compliance audit, including findings received and corrective actions taken up to the date of the auditors’ report.

21) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.

22) We have made available to you all documentation related to the compliance requirements, including information related to the Program financial reports and claims for advances and reimbursements.

23) The Program financial reports and claims for advances and reimbursements are supported by the books.

24) We have monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations.

25) We have charged costs to the Program in accordance with applicable cost principles.

26) The copies of Program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective grant agency.

27) No events, including instances of noncompliance, have occurred subsequent to the statement of financial position date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs.

Signed: 
Name: Robert A. Hemker
Title: Chief Financial Officer

Signed: 
Name: Kristine Roberts
Title: Financial Services Manager
### ADJUSTING JOURNAL ENTRIES

AJE #1 - To correct March interest expense.

<table>
<thead>
<tr>
<th>Account</th>
<th>Description</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2050</td>
<td>Note Payable- Debt Discount</td>
<td>7,922.87</td>
<td>7,922.87</td>
</tr>
<tr>
<td>4260</td>
<td>Contribution Revenue</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Total:** 7,922.87

### PROPOSED JOURNAL ENTRY

PJE #1 - To adjust the Marjorie Mosher Schmidt Foundation gift received in FY12 from deferred revenue to temporarily restricted contribution revenue.

<table>
<thead>
<tr>
<th>Account</th>
<th>Description</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2310</td>
<td>Deferred Revenue</td>
<td>5,000.00</td>
<td></td>
</tr>
<tr>
<td>4260</td>
<td>Contribution Revenue</td>
<td></td>
<td>5,000.00</td>
</tr>
</tbody>
</table>

**Total:** 5,000.00
Palomar Health Development, Inc.

Financial Statements

Years Ended June 30, 2012 and 2011
## Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Auditors’ Report</td>
<td>1</td>
</tr>
<tr>
<td>Financial Statements:</td>
<td></td>
</tr>
<tr>
<td>Statements of Financial Position</td>
<td>2</td>
</tr>
<tr>
<td>Statements of Activities</td>
<td>3</td>
</tr>
<tr>
<td>Statements of Cash Flows</td>
<td>5</td>
</tr>
<tr>
<td>Notes to Financial Statements</td>
<td>6</td>
</tr>
</tbody>
</table>
INDEPENDENT AUDITORS’ REPORT

To the Board of Directors
Palomar Health Development, Inc.
Escondido, California

We have audited the accompanying statements of financial position of Palomar Health Development, Inc. (a nonprofit organization) as of June 30, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Palomar Health Development, Inc.’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Palomar Health Development, Inc. as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

AKT LLP

Carlsbad, California
February 14, 2013
## PALOMAR HEALTH DEVELOPMENT, INC.

### Statements of Financial Position

June 30, 2012 and 2011

### ASSETS

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$845,561</td>
<td>$721,481</td>
</tr>
<tr>
<td>Grants receivable</td>
<td>703,981</td>
<td>522,815</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>2,140</td>
<td>2,128</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>1,551,682</td>
<td>1,246,424</td>
</tr>
<tr>
<td><strong>Property and Equipment, net of accumulated depreciation</strong></td>
<td>345</td>
<td>804</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$1,552,027</td>
<td>$1,247,228</td>
</tr>
</tbody>
</table>

### LIABILITIES AND NET DEFICIT

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current portion of note payable - Palomar Pomerado Health</td>
<td>$120,000</td>
<td>$120,000</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>582,332</td>
<td>433,522</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>38,267</td>
<td>15,500</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>136,182</td>
<td>95,720</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>876,781</td>
<td>664,742</td>
</tr>
<tr>
<td><strong>Note Payable, net of current portion - Palomar Pomerado Health</strong></td>
<td>2,771,585</td>
<td>2,796,107</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>3,648,366</td>
<td>3,460,849</td>
</tr>
<tr>
<td><strong>Net Assets (Deficit):</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted</td>
<td>(2,430,659)</td>
<td>(2,643,184)</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>334,320</td>
<td>429,563</td>
</tr>
<tr>
<td><strong>Total Net Deficit</strong></td>
<td>(2,096,339)</td>
<td>(2,213,621)</td>
</tr>
<tr>
<td><strong>Total Liabilities and Net Deficit</strong></td>
<td>$1,552,027</td>
<td>$1,247,228</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
## PALOMAR HEALTH DEVELOPMENT, INC.
### Statement of Activities
#### Year Ended June 30, 2012

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue and Support:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contract revenue</td>
<td>$ 3,311,319</td>
<td>$ -</td>
<td>$ 3,311,319</td>
</tr>
<tr>
<td>Other income</td>
<td>250</td>
<td>-</td>
<td>250</td>
</tr>
<tr>
<td>Net assets released from restrictions, satisfaction of program restrictions</td>
<td>95,243</td>
<td>(95,243)</td>
<td>-</td>
</tr>
<tr>
<td>Total Revenue and Support</td>
<td>3,426,812</td>
<td>(95,243)</td>
<td>3,331,569</td>
</tr>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program services</td>
<td>2,324,800</td>
<td>-</td>
<td>2,324,800</td>
</tr>
<tr>
<td>General and administrative</td>
<td>889,487</td>
<td>-</td>
<td>889,487</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>3,214,287</td>
<td>-</td>
<td>3,214,287</td>
</tr>
<tr>
<td>Increase (Decrease) in Net Assets</td>
<td>212,525</td>
<td>(95,243)</td>
<td>117,282</td>
</tr>
<tr>
<td>Net Assets (Deficit), beginning</td>
<td>(2,643,184)</td>
<td>429,563</td>
<td>(2,213,621)</td>
</tr>
<tr>
<td>Net Assets (Deficit), ending</td>
<td>$ (2,430,659)</td>
<td>$ 334,320</td>
<td>$ (2,096,339)</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
## PALOMAR HEALTH DEVELOPMENT, INC.
### Statement of Activities
#### Year Ended June 30, 2011

<table>
<thead>
<tr>
<th>Revenue and Support:</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract revenue</td>
<td>$ 2,760,504</td>
<td>$</td>
<td>$ 2,760,504</td>
</tr>
<tr>
<td>Contributions</td>
<td>-</td>
<td>469,485</td>
<td>469,485</td>
</tr>
<tr>
<td>Other income</td>
<td>295</td>
<td>-</td>
<td>295</td>
</tr>
<tr>
<td>Net assets released from restrictions, satisfaction of program restrictions</td>
<td>78,862</td>
<td>(78,862)</td>
<td>-</td>
</tr>
<tr>
<td>Total Revenue and Support</td>
<td>2,839,661</td>
<td>390,623</td>
<td>3,230,284</td>
</tr>
</tbody>
</table>

| Expenses:                                        |              |                       |           |
| Program services                                 | $ 2,242,294  | -                      | $ 2,242,294 |
| General and administrative                       | 328,584      | -                      | 328,584   |
| Total Expenses                                   | 2,570,878    | -                      | 2,570,878 |

Increase (Decrease) in Net Assets                  | 268,783      | 390,623                | 659,406   |

Net Assets (Deficit), beginning                    | (2,911,967)  | 38,940                 | (2,873,027) |

Net Assets (Deficit), ending                       | $ (2,643,184) | $ 429,563              | $ (2,213,621) |

See accompanying notes to financial statements.
## PALOMAR HEALTH DEVELOPMENT, INC.

### Statements of Cash Flows

**Years Ended June 30, 2012 and 2011**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Flows from Operating Activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in net assets</td>
<td>$117,282</td>
<td>$659,406</td>
</tr>
<tr>
<td>Adjustments to reconcile decrease in net assets deficit to net cash provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>459</td>
<td>1,470</td>
</tr>
<tr>
<td>Note payable discount - Palomar Pomerado Health</td>
<td>95,478</td>
<td>(469,485)</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants receivable</td>
<td>(181,166)</td>
<td>28,429</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>(12)</td>
<td>203</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>148,810</td>
<td>(86,080)</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>22,767</td>
<td>(5,500)</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>40,462</td>
<td>(32,287)</td>
</tr>
<tr>
<td>Net Cash Provided by Operating Activities</td>
<td>244,080</td>
<td>96,156</td>
</tr>
</tbody>
</table>

| **Cash Flows from Financing Activities:** |       |                    |
| Increase in line of credit - Palomar Pomerado Health | - | 1,600            |
| Payments on line of credit - Palomar Pomerado Health | - | (12,122)        |
| Increase in note payable - Palomar Pomerado Health | - | 1,082            |
| Payments on note payable - Palomar Pomerado Health | (120,000) | (20,078)      |
| Net Cash Used by Financing Activities | (120,000) | (29,518)      |

| **Net Increase in Cash** | 124,080 | 66,638 |

| **Cash, beginning** | 721,481 | 654,843 |

| **Cash, ending** | $845,561 | $721,481 |

### Supplemental Disclosure of noncash financing activities

<table>
<thead>
<tr>
<th>Description</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest relieved from restrictions as contribution</td>
<td>$95,478</td>
<td>$39,922</td>
</tr>
<tr>
<td>Line of credit converted to note payable</td>
<td>$-</td>
<td>$3,404,558</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
Note 1 - Organization and Summary of Significant Accounting Policies

Nature of Activities
Palomar Health Development, Inc. (Organization) is a California charitable nonprofit public benefit corporation organized in January 2005 to support Palomar Pomerado Health (PPH), a California local health care district, by acquiring grant funding.

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

Financial Statement Presentation
The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- Unrestricted net assets represent expendable funds available for operations, which are not otherwise limited by donor restrictions.

- Temporarily restricted net assets consist of contributed funds subject to donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Organization may spend the funds.

- Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund current operations.

The Organization had no permanently restricted net assets during the years ended June 30, 2012 and 2011.

Receivables
Grants receivable arise in the normal course of business. It is the policy of management to review the outstanding receivables at year end, as well as the bad debt write-offs experienced in the past, and establish an allowance for doubtful accounts for uncollectible amounts. Management believes all receivables are fully collectible. Therefore, no allowance for doubtful accounts is considered necessary.

Property and Equipment
Property and equipment purchases greater than $1,000 are capitalized and recorded at cost. Expenditures for maintenance and repairs are charged against operations. Depreciation is provided on the straight-line method over the estimated useful lives of the assets of three to five years. Equipment acquired using grant funds is considered to be owned by the Organization while used in the program for which it was purchased.

Revenue Recognition
Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Revenue from grants/contracts is recognized to the extent of eligible costs incurred up to an amount not to exceed the total grant/contract authorized. Deferred revenue results from grant awards received that are applicable to the subsequent period.
Note 1 - Organization and Summary of Significant Accounting Policies, continued

Contributed Materials and Services
Contributed materials are recorded at their fair market value where an objective basis is available to measure their value. Such items are capitalized or charged to operations as appropriate.

The Organization receives services donated by volunteers in carrying out its program services. No amounts have been recorded for those services, as they do not meet the requirements for recognition as contributions in the financial statements.

Fair Value Measurements
The Organization defines fair value as the exchange price that would be received for an asset or paid for a liability in the principal or most advantageous market. The Organization applies fair value measurements to assets and liabilities that are required to be recorded at fair value under generally accepted accounting principles. Fair value measurement techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

The carrying value of cash, receivables, and payables approximate fair values as of June 30, 2012 and 2011, due to the relative short maturities of these instruments.

Income Taxes
The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. The Organization may be subject to tax on income which is not related to its exempt purpose. For the years ended June 30, 2012 and 2011, no such unrelated business income was reported and, therefore, no provision for income taxes has been made.

The Organization has considered the tax positions taken in its tax returns and believes that all of the positions taken by the Foundation in its federal and state exempt organization tax returns are more likely-than not to be sustained upon examination. The Organization files income tax returns in the United States and various state and local jurisdictions. The Foundation’s federal income tax returns for the years prior to 2009 are closed. State and local jurisdictions have statutes of limitation that generally ranged from three to five years.

Subsequent Events
The Organization has evaluated subsequent events through February 14, 2013, which is the date the financial statements were available to be issued.

Note 2 - Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Note 3 - Concentrations of Credit Risk

Cash
The Organization maintains its cash in bank deposit accounts that are either insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of $250,000 per depositor or certain non-interest bearing accounts that are fully insured by the FDIC. At June 30, 2012, the Organization’s total uninsured cash balance was $56,135.

Effective January 1, 2013, the FDIC coverage will be limited to $250,000 per depositor per financial institution.
Note 3 - Concentrations of Credit Risk, continued

Contract Revenue
In May 2010, the Organization and the First 5 Commission of San Diego (Commission) entered into an agreement to provide health development services for children birth through five years of age. The initial agreement was for a one year term, from July 1, 2010 to June 30, 2011, with the option to extend in four increments of one year. The Healthy Development Services Program (Program), funded by the Commission, provided 52% and 64% of the Organization’s contract revenue for the years ended June 30, 2012 and 2011, and 58% and 48% of the Organization’s grants receivable at June 30, 2012 and 2011, respectively. The Program has been extended for the third incremental term beginning July 1, 2012 and ending June 30, 2013. The budget for this period will be approximately $2,507,251.

Economic Dependency
The Organization is economically dependent on PPH.

Note 4 - Property and Equipment
Property and equipment consist of the following:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equipment</td>
<td>$13,931</td>
<td>$13,931</td>
</tr>
<tr>
<td>Software</td>
<td>$15,009</td>
<td>$15,009</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$28,940</strong></td>
<td><strong>$28,940</strong></td>
</tr>
<tr>
<td><strong>Less accumulated depreciation</strong></td>
<td><strong>(28,595)</strong></td>
<td><strong>(28,136)</strong></td>
</tr>
<tr>
<td><strong>Net</strong></td>
<td><strong>$345</strong></td>
<td><strong>$804</strong></td>
</tr>
</tbody>
</table>

Note 5 - Net Assets
At June 30, 2012 and June 30, 2011, temporarily restricted net assets are available for interest on the note payable to PPH.

Net assets were released from donor restrictions by incurring expenditures satisfying the restrictions as follows:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest on note payable to Palomar Pomerado Health</td>
<td>$95,243</td>
<td>$39,922</td>
</tr>
<tr>
<td>Student Health Career Navigator</td>
<td>-</td>
<td>$38,940</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$95,243</strong></td>
<td><strong>$78,862</strong></td>
</tr>
</tbody>
</table>

Note 6 - Related Party Transactions

Purchases
The Organization reimburses PPH for all payroll services provided as well as other expenses. At June 30, 2012 and 2011, the amount due to PPH included in accounts payable was $450,455 and $325,799, respectively.
Note 6 - Related Party Transactions, continued

Line of Credit and Note Payable
The Organization had a line of credit from PPH that expired on January 24, 2011. The line of credit incurred interest at 2.5% above the LIBOR (3.28% at January 24, 2011) and was adjusted quarterly. Interest expense for the line of credit was $67,878 for the year ended 2011.

In February 2011, PPH’s Board of Directors approved a request from the Organization to restructure the line of credit as a note payable. Under the new terms, the note is interest-free, 60 payments of $10,000 are due monthly, and a balloon payment is due on January 24, 2016. The Organization recorded a contribution and a discount for the imputed interest using the rate of 3.28% (line of credit rate at expiration). Imputed interest expense of $95,478 and $39,922 is reported in the statement of activities for the year ended June 30, 2012 and 2011, respectively.

The note payable is secured by substantially all the Organization’s assets.

Scheduled maturities of the note payable are as follows:

<table>
<thead>
<tr>
<th>Year ending</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30, 2013</td>
<td>$120,000</td>
</tr>
<tr>
<td>2014</td>
<td>120,000</td>
</tr>
<tr>
<td>2015</td>
<td>120,000</td>
</tr>
<tr>
<td>2016</td>
<td>2,865,905</td>
</tr>
</tbody>
</table>

Less unamortized discount | (334,320)

Less current portion | (120,000)

$2,771,585

Note 7 - Operating Leases
The Organization leased office space and clinical support services in Escondido for the Healthy Development Services Program. The initial lease term was from July 1, 2010 to January 31, 2011, the Organization did not renew the lease; rather, it relocated to a larger site on the Palomar Health Campus and rents the office space from PPH. Rent expense was $3,700 and $18,302 for the years ended June 30, 2012 and 2011, respectively.
ADDENDUM C
Palomar Health Development, Inc. Healthy Development Services Program

Program Specific Audit Statement

Twelve Months Ended June 30, 2012
Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Auditors’ Report</td>
<td>1</td>
</tr>
<tr>
<td>Program Specific Audit Statement:</td>
<td></td>
</tr>
<tr>
<td>Statement of Cash Receipts and Disbursements</td>
<td>2</td>
</tr>
<tr>
<td>Notes to Financial Statement</td>
<td>3</td>
</tr>
<tr>
<td>Report on Internal Control over Financial Reporting and on Compliance</td>
<td>4</td>
</tr>
<tr>
<td>and Other Matters Based on an Audit of Financial Statements</td>
<td></td>
</tr>
<tr>
<td>Performed in Accordance with Government Auditing Standards</td>
<td></td>
</tr>
</tbody>
</table>
INDEPENDENT AUDITORS’ REPORT

To the Board of Directors
Palomar Health Development, Inc.
Healthy Development Services Program
Escondido, California

We have audited the accompanying statement of cash receipts and disbursements of the Healthy Development Services Program (Program), administered by Palomar Health Development, Inc. (a nonprofit organization), funded by the First 5 Commission of San Diego, for the twelve months ended June 30, 2012. This statement is the responsibility of the Program’s management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of cash receipts and disbursements is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Program’s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of cash receipts and disbursements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall presentation of the statement of cash receipts and disbursements. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, this financial statement has been prepared on the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statement referred to in the first paragraph presents fairly, in all material respects, the activities of the Healthy Development Services Program, administered by Palomar Health Development, Inc., for the twelve months ended June 30, 2012, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated February 14, 2013, on our consideration of the Program’s internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

AKT LLP

Carlsbad, California
February 14, 2013
<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Cash</td>
<td>$372</td>
</tr>
<tr>
<td>Additions:</td>
<td></td>
</tr>
<tr>
<td>Program payments</td>
<td>1,333,703</td>
</tr>
<tr>
<td>Deductions:</td>
<td></td>
</tr>
<tr>
<td>Personnel:</td>
<td></td>
</tr>
<tr>
<td>Salaries and benefits</td>
<td>808,822</td>
</tr>
<tr>
<td>Services and Supplies:</td>
<td></td>
</tr>
<tr>
<td>Purchased services</td>
<td>361,137</td>
</tr>
<tr>
<td>Repair and maintenance</td>
<td>15,295</td>
</tr>
<tr>
<td>Supplies and subscriptions</td>
<td>9,816</td>
</tr>
<tr>
<td>Equipment rental and minor equipment</td>
<td>6,684</td>
</tr>
<tr>
<td>Outside training</td>
<td>6,468</td>
</tr>
<tr>
<td>Service facilitation funds</td>
<td>3,636</td>
</tr>
<tr>
<td>Mileage and travel</td>
<td>3,216</td>
</tr>
<tr>
<td>Phone and answering service</td>
<td>2,892</td>
</tr>
<tr>
<td>Volunteer incentives</td>
<td>1,071</td>
</tr>
<tr>
<td>Provider engagement</td>
<td>801</td>
</tr>
<tr>
<td>Conferences</td>
<td>210</td>
</tr>
<tr>
<td>Total Deductions</td>
<td>1,333,703</td>
</tr>
<tr>
<td>Excess of Additions over Deductions</td>
<td>-</td>
</tr>
<tr>
<td>Ending Cash</td>
<td>$372</td>
</tr>
</tbody>
</table>
Note 1 - Organization and Summary of Significant Accounting Policies

Nature of Activities
The Healthy Development Services Program (Program), administered by Palomar Health Development, Inc. (PHD), is a North San Diego County project to promote and support an integrated network of services that address the health and development needs of children from birth through five years of age. The term of the Program is July 1, 2011 to June 30, 2012.

Funding of the Program comes from Proposition 10 revenues, which are managed by the First 5 Commission of San Diego (Commission).

The accompanying statement only represents information about receipts and disbursements involving PHD’s contract with the Commission for the Program. This statement does not include any other information about PHD, whose financial statements are audited and reported on separately.

Basis of Accounting
The accompanying statement of cash receipts and disbursements has been prepared on the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under that basis, the only asset recognized is cash and no liabilities are recognized. All transactions relating to PHD’s participation in the Program are recognized as either cash receipts or disbursements. Non-cash transactions are not recognized in this statement.

Subsequent Events
PHD has evaluated subsequent events through February 14, 2013, which is the date the statement of cash receipts and disbursements was available to be issued.

Note 2 - Related Party
The Program reimburses Palomar Pomerado Health (PPH) for all payroll services provided as well as other miscellaneous expenses. PHD’s board of directors is composed entirely of board members and management of PPH. Additionally, PPH’s board of directors selects all of PHD’s board members.
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Palomar Health Development, Inc.
Healthy Development Services Program
Escondido, California

We have audited the statement of cash receipts and disbursements of the Healthy Development Services Program (Program), administered by Palomar Health Development, Inc. (a nonprofit organization), funded by the First 5 Commission of San Diego, for the twelve months ended June 30, 2012 and have issued our report thereon dated February 14, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Palomar Health Development, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Program’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the statement of cash receipts and disbursements, but not for the purpose of expressing an opinion on the effectiveness of the Program’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Program’s internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Program’s statement of cash receipts and disbursements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.
Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Directors, management, others within the Program, and the First 5 Commission of San Diego and is not intended to be and should not be used by anyone other than these specified parties.

AKT LLP
Carlsbad, California
February 14, 2013
ADDENDUM D

Financial Review
January 2013 YTD

FEBRUARY 26, 2013
## FISCAL YEAR 2013
### Income Statement Summary

<table>
<thead>
<tr>
<th></th>
<th>Health Development</th>
<th>Research Institute</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>YTD Actual</td>
<td>YTD Budget</td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td>112,399</td>
<td>103,062</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td>88,240</td>
<td>67,741</td>
</tr>
<tr>
<td><strong>Net Income/Loss</strong></td>
<td>24,159</td>
<td>35,322</td>
</tr>
</tbody>
</table>
Health Development
FY 2013 Indirect Revenue Sources
ADDENDUM E

Grant Update

FEBRUARY 26, 2013
# Current Grants

<table>
<thead>
<tr>
<th>TITLE</th>
<th>GRANTEE</th>
<th>Purpose</th>
<th>Awarded</th>
<th>Remaining Funds Receivable</th>
<th>Beg/End Date</th>
<th>Updates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bioterrorism/ Emergency Preparedness</td>
<td>County of San Diego, Health &amp; Human Agency</td>
<td>To enhance San Diego’s Emergency Preparedness by utilizing HPP funding to purchase priority equipment and supplies including evacuation equipment, interoperable communications equipment, and surge capacity for pandemic influenza and fatality mgmt.</td>
<td>$1,040,480 Total over 12 years.</td>
<td>$260,820</td>
<td>5/25/05-6/30/18</td>
<td>*Current year’s contract is in legal review.</td>
</tr>
<tr>
<td>MAA (Medical Administrative Activities)</td>
<td>County of San Diego Health &amp; Human Services Agency</td>
<td>Medi-Cal Administrative Activities (MAA) is a government program available to PH to recover some of the administrative costs associated with providing Medi-Cal services.</td>
<td>Approx. $300,000 Annually</td>
<td>Approx. $300,000 ($255,000 to PH, $45,000 to PHD)</td>
<td>N/A</td>
<td>*FY2012 invoices will be submitted using Sept 2009 time survey results *January MAA Provider Meeting was cancelled. Next meeting is scheduled for March 26, 2013.</td>
</tr>
<tr>
<td>Marjorie Mosher Schmidt Foundation - Child Abuse Program</td>
<td>Marjorie Mosher Schmidt Foundation</td>
<td>To provide funds for Nurse education as well as forensic imaging equipment.</td>
<td>$27,000</td>
<td>$0</td>
<td>12/14/09-N/A</td>
<td>*Received additional $5,000 in November 2012.</td>
</tr>
</tbody>
</table>
### Current Grants

<table>
<thead>
<tr>
<th>TITLE</th>
<th>GRANTEE</th>
<th>Purpose</th>
<th>Awarded</th>
<th>Remaining Funds Receivable</th>
<th>Beg/End Date</th>
<th>Updates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interlink Pathways (GO-MED)</td>
<td>West Foundation</td>
<td>Staff funding for navigators positions</td>
<td>$260,000</td>
<td>$0</td>
<td>8/1/11-7/31/13</td>
<td>*Received 2nd installment of $111,950 in November 2012</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>*Contract extended through July 2013</td>
</tr>
<tr>
<td>National Children's Alliance (NCA)</td>
<td>National Children's Alliance (NCA)</td>
<td>Having met standards set for Child Advocacy Centers, PH is an accredited member of the NCA. As a member of the NCA, PH receives a grant of $10,000 annually to provide continued support for the cost of a bilingual interviewer in PH’s Child Abuse Program.</td>
<td>$10,000 Annually</td>
<td>$0</td>
<td>1/1/04-12/31/13</td>
<td>*$10,000 received 10/31/12</td>
</tr>
<tr>
<td>Parker -North County Project</td>
<td>Vaughn Parker Foundation</td>
<td>Donation through Foundation to provide additional funding for breast cancer diagnostic services to men and women 20-50 who fall between the gaps in the medical system, whether by income level, ethnicity, age, citizenship, or lack of insurance.</td>
<td>$50,902.60</td>
<td>$0</td>
<td>7/1/08-N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>
# Current Grants

<table>
<thead>
<tr>
<th>TITLE</th>
<th>GRANTEE</th>
<th>Purpose</th>
<th>Awarded</th>
<th>Remaining Funds Receivable</th>
<th>Beg/End Date</th>
<th>Updates</th>
</tr>
</thead>
</table>
| Healthy Development Services (HDS)         | First 5 Commission       | To serve as lead agency for the North Inland Region to provide integrated care and treatment services that address the health, developmental and behavioral needs of children ages birth through 5 years | $8,760,000 ($1,752,000 annually) | $4,573,092               | 07/01/10-06/30/15     | *An additional $94,200 was awarded in December to provide JumpStart services  
*Health Development was awarded $2,057,251 for FY13. $1,082,359 has been invoiced through January 2013. |
| Palliative/Spiritual Care Grant            | Archstone Foundation     | To improve the quality of spiritual care provided by the trans-disciplinary team to the critically ill patients in the medical-surgical intensive care units at Palomar Medical Center. The overall goal of the project is to put into practice the Inpatient Spiritual Care Implementation Model with an emphasis on identifying and treating spiritual distress the same as any other medical issue. | $200,000         | $10,000                   | 10/1/10-3/31/13       | *$149,638 spent through January 2013.  
*6 month extension has been granted to continue services through 3/31/2013. |
## Current Grants

<table>
<thead>
<tr>
<th>TITLE</th>
<th>GRANTEE</th>
<th>Purpose</th>
<th>Awarded</th>
<th>Remaining Funds Receivable</th>
<th>Beg/End Date</th>
<th>Updates</th>
</tr>
</thead>
<tbody>
<tr>
<td>In-n-Out - Child Abuse Program</td>
<td>In-N-Out Child Abuse Foundation</td>
<td>To provide funding for SART/Child Abuse Program community education and bilingual interviewing at the center. Funds to be used to provide follow-up with families and children who have been through counseling.</td>
<td>$19,000</td>
<td>$0</td>
<td>N/A</td>
<td>*Received additional $6,500 in December 2012</td>
</tr>
<tr>
<td>Clinical Investigator Research Grant Program</td>
<td>San Diego Chapter of the American Association of Critical Care Nurses (SDAACN)</td>
<td>To Create, Coordinate &amp; Conduct the research study &quot;Undiagnosed Prediabetes &amp; Diabetes in the ED - A Missed Opportunity for Early Referral and Treatment.&quot;</td>
<td>$2,500</td>
<td>$0</td>
<td>4/15/11-11/15/12</td>
<td>N/A</td>
</tr>
</tbody>
</table>
## New Grants

<table>
<thead>
<tr>
<th>TITLE</th>
<th>GRANTEE</th>
<th>Purpose</th>
<th>Award Amount</th>
<th>Beg/End Date</th>
</tr>
</thead>
</table>
| Green Oaks Ranch | Physical Health Services for CANN               | Provides an intake center for assessment and placement of abused, neglected, and/or abandoned children taken into immediate protective custody by Law Enforcement Officers and/or Health & Human Services Agency Social Workers.  
New contract combines two prior contracts (both the piece Health Development currently has and the piece currently handled by New Alternatives). | $863,500 ($157,000 annually for up to 5.5 years) | *Funding period will be 1/1/13-12/31/13 and may be extended through 6/30/18  
*New Alternatives has applied as lead, PHD will subcontract  
*No Indirect Funds |
## Pending Grants

<table>
<thead>
<tr>
<th>TITLE</th>
<th>GRANTEE</th>
<th>Purpose</th>
<th>Potential Award Amount</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>First 5 Targeted At Risk Home Visiting Program</td>
<td>First 5 Commission</td>
<td>Targeted At Risk Home Visiting Program</td>
<td>Approx. $6.4 million over 5 years $1,328,323 in year 1, $1,278,323 in years 2-5</td>
<td>*Proposal was submitted on January 10th *Anticipate notice of award in early April *Program funding and implementation expected by July 1st</td>
</tr>
<tr>
<td>CalTrans 5310 Elderly &amp; Disabled Specialized Transit Grant</td>
<td>Caltrans / Regional Transportation Planning Agency (RTPA)</td>
<td>Purchase of two wheelchair accessible vans to improve senior and disabled patient access to medical care at both Palomar Pomerado Health Wound Care Centers (PHWCC).</td>
<td>$120,000</td>
<td>*Documentation is currently in legal review</td>
</tr>
<tr>
<td>CalTrans 5317 New Freedom Grant</td>
<td>Caltrans / Regional Transportation Planning Agency (RTPA)</td>
<td>To obtain funds to pay for the transportation vendor partner staff to operate and maintain the vans. Provide funding for Palomar Health Transport coordinator. Serve as a liaison with vendor partner and health system.</td>
<td>$550,000 over 3 years</td>
<td>*Documentation is currently in legal review</td>
</tr>
<tr>
<td>TITLE</td>
<td>GRANTEE</td>
<td>Purpose</td>
<td>Total Award Amount</td>
<td>Beg/End Date</td>
</tr>
<tr>
<td>----------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>---------------------</td>
<td>---------------------------------------------------</td>
</tr>
<tr>
<td>Green Oaks Ranch</td>
<td>Physical Health Services for CANN</td>
<td>Provides an intake center for assessment and placement of abused, neglected, and/or abandoned children taken into immediate protective custody by Law Enforcement Officers and/or Health &amp; Human Services Agency Social Workers.</td>
<td>$918,500.00</td>
<td>7/12/07-12/31/12</td>
</tr>
</tbody>
</table>
| Komen Breast Health Education & Outreach Project                     | Susan G. Komen                                                         | To provide breast cancer diagnostic services to men and women 20-50 who fall between the gaps in the medical system, whether by income level, ethnicity, age, citizenship, or lack of insurance.                     | $20,000 requested   | *Notified on 11/9/12 that PHD was not selected to submit a full proposal  
*Plan to apply again for FY2015 |
| Strong Start For Mothers and Newborns                                | Centers for Medicare & Medicaid Services (CMS)                        | To test new care and payment models that have the potential to improve perinatal outcomes for women enrolled in Medicaid and/or Children’s Health Insurance Program (CHIP) who are at high-risk for adverse pregnancy outcomes. | Approx. $3.4 million over 4 years | *Notified on 2/15/13 that PHD was not selected for funding |
ADDENDUM F

Interlink Pathways Update

Palomar Health Development, Inc.

February 26, 2013
• Awarded $260,000 to Palomar Health Development INTERLINK Pathways
  – Year 1 installment: $148,050 (8/16/11)
  – Year 2 installment: $111,950 (10/24/12)
• The grant covers labor costs for period of August 1, 2011 to July 31, 2013
Structural Changes

Interlink Pathways

Brad Krietzberg, Director Organizational Learning

Christi Perdomo, Manager Career Development

Blanca Arias, Health Career Community Liaison

Trang Nguyen, Student Placement Coordinator

Ginny Merrifield, Executive Director West Foundation
1. Increase internship opportunities for youth ages 16-24
2. Assist HCA and other students enter internships and achieve employment
3. Speakers’ Bureau exposes students to other health occupations aside from medicine and nursing
## Internship Opportunities

<table>
<thead>
<tr>
<th>Internship Types</th>
<th>YTD</th>
<th>% to Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Palomar Health Internships</td>
<td>620</td>
<td>140%</td>
</tr>
<tr>
<td>External Internships</td>
<td>136</td>
<td>226%</td>
</tr>
<tr>
<td><strong>Total Internship Opportunities</strong></td>
<td><strong>756</strong>*</td>
<td></td>
</tr>
</tbody>
</table>
## Internship Readiness Workshops

<table>
<thead>
<tr>
<th>Variable</th>
<th>YTD</th>
<th>% to Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workshops</td>
<td>12</td>
<td>200%</td>
</tr>
<tr>
<td>Attendees</td>
<td>548</td>
<td>117%</td>
</tr>
<tr>
<td>Applicants</td>
<td>115</td>
<td>96%</td>
</tr>
<tr>
<td>Internship Acceptances</td>
<td>77</td>
<td>128%</td>
</tr>
<tr>
<td>Percent of Accepted Workshop Attendees</td>
<td>67%</td>
<td></td>
</tr>
</tbody>
</table>

![Participants attending intern preparation workshop](image)
# Workforce Readiness Workshops

<table>
<thead>
<tr>
<th>Variable</th>
<th>YTD</th>
<th>Progress to Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workshops</td>
<td>6</td>
<td>100%</td>
</tr>
<tr>
<td>Workshop Attendees</td>
<td>69</td>
<td>115%</td>
</tr>
<tr>
<td>Applicants</td>
<td>81</td>
<td>162%</td>
</tr>
<tr>
<td>Hires</td>
<td>22</td>
<td>63%</td>
</tr>
</tbody>
</table>
Workshop Feedback

“Knowing my bird style and effectively use that at work and perhaps tweaking it for better working environment. Thank you for the informative presentation.”

Sarra Salito

“It made me realize I should practice using my voice more so it is louder and less shaky during the interview.”

Jay Lambert

“The workshop really helped me identify my strengths and weaknesses in an interview setting. It provided me with tools and tips on how to succeed.”

Rochelle Liu
Speakers’ Bureau

- Speakers from medical, nursing, and allied health careers
- Events throughout North County
  - San Pasqual Academy
  - EUHSD and HCAs
  - Palomar College
  - Encuentros Leadership Conference

<table>
<thead>
<tr>
<th></th>
<th>YTD</th>
<th>% to Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Presentations</td>
<td>12</td>
<td>150%</td>
</tr>
<tr>
<td>Presenters</td>
<td>12</td>
<td>67%</td>
</tr>
<tr>
<td>Attendees</td>
<td>401</td>
<td>200%</td>
</tr>
</tbody>
</table>
Moving Forward...

- Gary & Mary West Foundation Site Visit
- Del Lago Academy Curriculum Design
- EUHSD and ROP/Adult programs
- Escondido Education COMPACT
- Adult Transition Program, SMUSD
- Palomar College
- Concorde Career College
- Palomar Health Foundation
Thank you!
ADDENDUM G

Research Institute Update

February 26, 2013
New Clinical Trials in FY13

• 5 new IRC approved clinical trials in Q1 FY13
  – 1 industry sponsored clinical trial (Orthopedics)
  – 2 chart review studies
    • Evaluation of interventional radiology techniques and products by Dr. Bassem Georgy
  – Pharmacy studies led by Pharmacy Residents
    • Pharmacist run discharge counseling program
    • Improving post-hospital transitions of care with medication review
New Clinical Trials in FY13

- 7 new IRC approved clinical trials in Q2 FY13
  - 1 industry sponsored clinical trial (Sotera Wireless)
  - 5 nursing research studies
  - 1 outpatient clinical trial
    - Alzheimer’s Disease research performed by Dr. Gilbert Ho at the Center for Memory and Aging / PNRI Research Institute
New Clinical Trials in FY13

• 4 new IRC approved clinical trials in January / February
  – 2 industry sponsored clinical trials
    • Sotera Wireless
    • Mental Health / Excell Research
  – 1 nursing research study
  – 1 chart review study
    • Dr. Bassem Georgy
Recent Nursing Research

• Patients’ trust of nurse wearing a hijab
• Impact of NP weight loss coaches in retail clinics
• Impact of telehealth on heart failure patients
• Cultural competence in palliative care
• Yoga as a stress intervention for RNs
Clinical Trials Bringing Revenue to Palomar Health

• Inpatient Days in Mental Health Unit
  – 903 inpatient days in FY12
  – 689 inpatient days in FY13 (through January)

• Outpatients Receiving Labs and Pharmacy
  – 36 patients in FY12
  – 52 patients in FY13 (all trials complete as of January)
Administrative Review Process – Overview

• Required steps in the administrative approval process include:
  – Payment of IRC fee
  – Contract negotiation (if deemed necessary by legal)
  – Budget negotiation
  – Pharmacy training / preparation
  – Lab preparation
  – Nursing training (including interventional areas as needed)
Administrative Review Process – What’s New?

• Supply Chain
  – Some clinical trials require devices or implants
  – Not all trials provide the device for free
    • VAT approval required if product is not currently purchased by Palomar Health

• Information Security
  – Clinical Trial Operations team is currently evaluating how to incorporate IS to protect patient privacy