BOARD OF DIRECTORS

REGULAR MEETING

Palomar Health
1st Floor Conference Room
456 E. Grand Avenue, Escondido, CA

Time
Page
Target
5:30 p.m. dinner/6:00 p.m. meeting
Monday, August 4, 2014
1st Floor Conference Room

Dinner provided for Board members & invited guests

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. INFORMATION ITEMS

A. Resignation Letter – Michael H. Covert, Corporate President

IV(i). NEW BUSINESS

* Written/Oral


IV(ii). NEW BUSINESS (continued)

* Written/Oral

A. Resolution No. 08.04.14(09)-3 – Setting the Date, Time & Location for the Annual Organizational Meeting for Calendar Year 2015

B. Resolution No. 08.04.14(10)-4 – Confirming Appointment of the Officers of the Corporation

C. Resolution No. 08.04.14(11)-5 – Banking Resolution & Certificate of Incumbency for Incumbent Name Changes on Account

D. Operating Budgets – Palomar Health Development and the Research Institute


V. PRESENTATIONS

A. First 5 First Steps – Progress Report (Addendum C – Pp57-68)

B. Pharmacy Program Grants (Addendum D – Pp69-71)

i. Carefusion Grant

ii. ASHP Foundation Grant – Postdoctoral Graduate Residency Program


D. Update on Grants & Contracts Inventory and Proposals (Addendum F – Pp79-87)

VI. *MINUTES – Monday, February 3, 2014 (Addendum G – Pp88-94)

VII. OLD BUSINESS

A. Prior Meeting Action Items – Deferred to next meeting

VIII. BOARD MEMBER COMMENTS/FUTURE AGENDA ITEMS

IX. FINAL ADJOURNMENT

Next Regular Meeting: TBD

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
ADMINISTRATION

July 23, 2014

Linda C. Greer, RN
Board Chairperson
Palomar Health Development, Inc.

Dear Ms. Greer:

Pursuant to §3.05 of the Bylaws of Palomar Health Development, Inc., please accept this letter as my official resignation from the office of President of the Corporation, effective August 4, 2014. I have accepted the position of CEO of the St. Luke’s Health System in Houston, Texas, and as Senior Vice President of CHI nationally.

As my position on the Board of Directors of the Corporation is by title as CEO of Palomar Health, I have been informed by Chief Legal Officer Janine Sarti that there is no need to resign from the Board.

Please don’t hesitate to contact me should you have any questions about my resignation.

Sincerely,

Michael H. Covert, FACHE
President and CEO
Palomar Health
TO: Palomar Health Development Board of Directors

MEETING DATE: Monday, August 4, 2014

FROM: Bob 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 2013 – which will serve as the Annual Report – has been delayed for good and purposeful reasons.

The Annual Financial Report for Fiscal Year End 2013 (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 A).

Budget Impact: N/A

STAFF RECOMMENDATION: Staff recommends adoption of Resolution No. 08.04.14(07)-1 authorizing acceptance of the Independent Audit of Palomar Health Development, Inc., as the Annual Report.

Motion:

Individual Action: X

Information:

Required Time:
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 2013
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. [Palomar Health Development] 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 2013 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 2013 (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 January 31, 2014, 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 August 4, 2014, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAINING:

DATED: August 4, 2014

APPROVED: ____________________________ ATTESTED: ____________________________

Linda C. Greer, RN, Chairperson
Board of Directors
Palomar Health Development, Inc.

T.E. Kleiter, Secretary
Board of Directors
Palomar Health Development, Inc.
TO: HD Board of Directors  
MEETING DATE: Monday, August 4, 2014  
FROM: Bob Hemker, Chief Financial Officer  

Background: Healthy Development Services (HDS) is a newborn home visiting program for first-time parents. Currently in its ninth 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, Inc., 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, is attached as Addendum B for the Board's consideration and approval.

Budget Impact: N/A

STAFF RECOMMENDATION: Staff recommends adoption of Resolution No 08.04.14(08)-2 authorizing acceptance of the Independent Audit of Healthy Development Services for Fiscal Year 2013.

Motion:

Individual Action: X

Information:

Required Time:
RESOLUTION NO. 08.04.14(08)-2

RESOLUTION OF THE BOARD OF DIRECTORS OF
PALOMAR HEALTH DEVELOPMENT, INC.
AUTHORIZED ACCEPTANCE OF THE PROGRAM SPECIFIC
INDEPENDENT AUDIT OF THE ANNUAL FINANCIAL REPORT
OF THE HEALTHY DEVELOPMENT SERVICES PROGRAM
FOR FISCAL YEAR END 2013

WHEREAS, Palomar Health Development, Inc. [Palomar Health Development] is the contracted agency for the First 5 Commission of San Diego Contract Number 511626 for the Healthy Development Services Program, and is required by said contract in Article 13, Section 13.6 to conduct an annual audit of Palomar Health Development's operations; and,

WHEREAS, a Program Specific Audit of the Annual Financial Report of the Healthy Development Services Program for Fiscal Year End 2013 was conducted by AKT, LLP, of Carlsbad, California, and returned to Palomar Health Development on January 31, 2014;

NOW, THEREFORE, IT IS HEREBY RESOLVED by the Board of Directors of Palomar Health Development that the Program Specific Audit of the Annual Report of the Healthy Development Services Program for Fiscal Year End 2013 be accepted in satisfaction of this requirement.

PASSED AND ADOPTED at the meeting of the Board of Directors of Palomar Health Development held on August 4, 2014, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAINING:
DATED: August 4, 2014

APPROVED: ATTESTED:

Linda C. Greer, RN, Chairperson
T.E. Kleiter, Secretary
Board of Directors
Board of Directors
Palomar Health Development, Inc.
Palomar Health Development, Inc.
TO: Palomar Health Development Board

MEETING DATE: Monday, August 4, 2014

FROM: Virginia Barragan, Department Director
       Shirin Strauss, Program Director, Palomar Health North County First 5 First Steps Program.
       (Sheila Brown, EMT Sponsor)

Background: Palomar Health won a competitive grant beginning July 1, 2013 to implement a targeted home visiting program for at risk families in North County San Diego (North Inland and North Coastal Regions). The first year of the program (July 1, 2013 – June 30, 2014) is complete and was successfully implemented. We now have a fully executed contract for year two of the program (July 1, 2014 – June 30, 2015). We are expecting to receive funding for five years, with the possibility for a second five year timeframe if the First 5 Commission of San Diego continues to prioritize home visiting for funding allocation. (See Addendum C).

Budget Impact: Total 5 years of funding: $6,441,615.

1) Year Two (FY14-15: July 1, 2014 – June 30, 2015): $1,458,554
   ($1,278,323 annual + $180,231 FY13-14 rollover)

2) Year One (FY13-14): $1,328,323
   ($1,278,323 annual grant + $50,000 start-up funds)

3) Remaining 3 years at: $1,278,323 annually

STAFF RECOMMENDATION:
Motion:

Individual Action:

Information: X

Required Time:
TO: Palomar Health Development Board

MEETING DATE: Monday, August 4, 2014

FROM: Cedric Terrell, Director Pharmacy Services

Background: The pharmacy programs funded by grants will be reviewed using the presentation included as Addendum D.

Budget Impact: None.

STAFF RECOMMENDATION:

Motion:

Individual Action:

Information: X

Required Time:
TO: Palomar Health Development Board

MEETING DATE: Monday, August 4, 2014

FROM: Melissa Rouse, PhD, RN, Director of Nursing & Interprofessional Education

Background: The Investigational Review Committee (IRC) approves research studies and Evidence Based Practice (EBP) and Quality Improvement (QI) projects. We have not been reporting the number of open or closed studies but would like to begin reporting here. (See Addendum E).

Budget Impact: No Impact

STAFF RECOMMENDATION: Seeking awareness of the research studies and EBP and QI projects that are occurring at Palomar Health

Motion:

Individual Action:

Information: X

Required Time:
TO: Palomar Health Development Board

MEETING DATE: Monday, August 4, 2014

FROM: Bob Hemker, Chief Financial Officer

Background: Aimee Ebner will update the Board on grants managed by Health Development (See Addendum F).

Budget Impact: None.

STAFF RECOMMENDATION:

Motion:

Individual Action:

Information: X

Required Time:
TO: Palomar Health Development Board
MEETING DATE: Monday, August 4, 2014
FROM: Tanya Howell, Corporate Secretary

Background: The minutes of the Annual Organizational Meeting held on Monday, February 3, 2014, are respectfully submitted for approval (Addendum G).

Budget Impact: N/A

STAFF RECOMMENDATION: Approval of the February 3, 2014, Annual Organizational Meeting minutes.

Motion: X

Individual Action:

Information:

Required Time:
TO: Palomar Health Development Board

MEETING DATE: Monday, August 4, 2014

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.

An update on the Glassomics research study funded by a grant from Qualcomm was requested during the last meeting. However, Orlando Portale, former Chief Technical Innovations Officer, is no longer with Palomar Health, and the Interim CIO has requested that the discussion on this topic be postponed to the next meeting of the Board so that she will have time to familiarize herself with the study.

Budget Impact: N/A

STAFF RECOMMENDATION:

Motion:

Individual Action:

Information: X
• 2/3/14: A presentation on the outcome of the Glassomics research study will be made at the next meeting
TO: Palomar Health Development Board

MEETING DATE: Monday, August 4, 2014

FROM: Bob Hemker, Chief Financial Officer

Background: In accordance with the Bylaws of the Corporation, the date, time and location for the Annual Organizational Meeting for Calendar Year 2015 shall be set at this last meeting of Calendar Year 2014. Potential dates and times during the month of February 2015 will be presented at the meeting. The 1st Floor Conference Room at the Palomar Health administrative offices located at 456 E. Grand Avenue, Escondido, California, will be the recommended location for all potential dates.

Budget Impact: N/A

STAFF RECOMMENDATION: Approval of Resolution No. 08.04.14(09)-3 Setting the Date, Time & Location for the Annual Organizational Meeting for Calendar Year 2015, as amended to include the date and time chosen at this evening’s meeting.

Motion:

Individual Action: X

Information:

Required Time:
RESOLUTION NO. 08.04.14(09)-3

RESOLUTION OF THE BOARD OF DIRECTORS OF
PALOMAR HEALTH DEVELOPMENT, INC.
ESTABLISHING THE DATE, TIME AND LOCATION
FOR THE ANNUAL ORGANIZATIONAL MEETING
FOR CALENDAR YEAR 2015

WHEREAS, Palomar Health Development, Inc. (“Corporation”) is required, pursuant to Section 54954 of the California Government Code and Section 4.03(a) of the Corporation’s Bylaws to pass a Resolution adopting the date, time and location of the Annual Organizational Meeting for the following calendar year;

NOW, THEREFORE, IT IS HEREBY RESOLVED by the Board of Directors of Corporation that the Annual Organizational Meeting for Calendar Year 2015 will be held at the date, time and location noted below:

<table>
<thead>
<tr>
<th>DATE/TIME</th>
<th>LOCATION</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Palomar Health 1st Floor Conference Room 456 E. Grand Avenue Escondido, CA 92025</td>
</tr>
</tbody>
</table>

PASSED AND ADOPTED at the meeting of the Board of Directors of Corporation, held on August 4, 2014, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAINING:
DATED: August 4, 2014

APPROVED:

ATTESTED:

Linda C. Greer, RN, Chairperson T.E. Kleiter, Secretary
Board of Directors Board of Directors
Palomar Health Development, Inc. Palomar Health Development, Inc.
TO: Palomar Health Development Board

MEETING DATE: Monday, August 4, 2014

FROM: Bob 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 current Corporate Officers for calendar year 2014 are:
  - Michael H. Covert, FACHE, President
  - Bob Hemker, Chief Financial Officer
  - Tanya Howell, Secretary

As Mr. Covert submitted his written resignation to the Board this evening, and Mr. Hemker will be transitioning to his new role as Chief Executive Officer of Palomar Health on August 15th, it is recommended that the following slate of Corporate Officers be appointed, to remain in those offices until the Annual Organizational Meeting of 2015:

- Bob Hemker, President
- Diane Hansen, 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. 08.04.14(10)-4 Confirming Appointment of the Officers of the Corporation, as amended to include the names of those officers appointed at this evening’s meeting.

Motion:

Individual Action: X

Information:

Required Time:
RESOLUTION OF THE BOARD OF DIRECTORS OF
PALOMAR HEALTH DEVELOPMENT, INC.
CONFIRMING APPOINTMENT OF THE OFFICERS OF THE CORPORATION

WHEREAS, the Officers of the Corporation Palomar Health Development, Inc. 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, to remain in those offices until the Annual Organizational Meeting for 2015:

_________________________  President
_________________________  Chief Financial Officer
_________________________  Secretary

PASSED AND ADOPTED at the meeting of the Board of Directors of Palomar Health Development held on August 4, 2014, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAINING:

DATED: August 4, 2014

APPROVED:  ATTESTED:

Linda C. Greer, RN, Chairperson  T.E. Kleiter, Secretary
Board of Directors  Board of Directors
Palomar Health Development, Inc.  Palomar Health Development, Inc.
TO: Palomar Health Development Board

MEETING DATE: Monday, August 4, 2014

FROM: Bob Hemker, Chief Financial Officer

Background: Palomar Health Development, Inc., maintains banking accounts with Bank of America/Merrill Lynch. As the Board of Directors of the Corporation appointed new Corporate Officers at this evening’s meeting, the attached Deposit Account & Treasury Management Services Banking Resolution and Certificate of Incumbency must be adopted in order to provide the Bank with specimen signatures of the new Corporate Officers.

Budget Impact: N/A

STAFF RECOMMENDATION: Staff recommends that the Board adopt Resolution No. 08.04.14(11)-5 Deposit Account & Treasury Management Services Banking Resolution and Certificate of Incumbency, as updated to include the names of Corporate Officers appointed at this evening’s meeting.

Motion:

Individual Action: X

Information:

Required Time:
CLIENT INFORMATION

Please select one of the following options:

- [ ] New Resolution/Incumbency
- [X] Update Incumbency (Used to Add or Delete individual authorized signers)
- [X] Supersede Resolution/Incumbency (Replaces any and all prior banking resolutions)

ORGANIZATION LEGAL NAME (Must match legal name indicated in company formation documents)
Palomar Health Development, Inc.

- This Banking Resolution and Certificate of Incumbency will apply to all accounts the Organization maintains with us.
- The Organization adopts the following Banking Resolution and Certificate of Incumbency (with specimen signatures)*

The undersigned certifies that:

1) Any individual (each an “Authorized Signer”) with any of the following Titles

<table>
<thead>
<tr>
<th>Title</th>
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</thead>
<tbody>
<tr>
<td>Palomar Health Corporate Controller</td>
</tr>
<tr>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td>President</td>
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</tbody>
</table>

is authorized, acting alone, including by electronic signature, electronic record or other electronic form, (a) to establish accounts from time to time for the Organization at Bank of America, N.A. (the “Bank”), as well as to operate and close such accounts, (b) to enter into any and all agreements and transactions contemplated by the provision of treasury management services by the Bank, including but not limited to Electronic Funds Transfer Services, and (c) designate persons to operate each such accounts including closing the account, and to designate persons to act in the name and on behalf of the Organization/Client with respect to the establishment and operation of treasury management services.

2) the person whose signature, name, and title appear in the “AGREEMENT, TAX INFORMATION CERTIFICATION and AUTHORIZATION” section of the Deposit Account Documentation Signature Card (“Signature Card”) and those persons listed below on the Incumbency Certificate, are Authorized Signers who are authorized, including by electronic signature, electronic record or other electronic form, to establish accounts and to designate persons to operate each such account and to execute contracts and agreements (including treasury management service agreements, including but not limited to Electronic Funds Transfer Agreements) with the Bank and that the signatures of such Authorized Signers are genuine.

3) the persons who signed in the Designated Account Signers section of the Signature Card are authorized to operate any accounts opened with the deposit account documentation unless otherwise noted on the Signature Card, and that the signatures of such Designated Account Signers are genuine.

4) the foregoing is a complete, true and correct copy of the banking resolutions adopted by the Board of Directors, the Members or the General Partners, Commission, Council or Governing Board as applicable, of the Organization, government entity or authority and that the resolutions are still in full force and effect and have not been amended or revoked and do not exceed the objects or powers of the Organization, government entity, authority or the powers of its management or Governing Board, Commission or Council.

Incumbency Certificate:

<table>
<thead>
<tr>
<th>Add/Delete</th>
<th>Name</th>
<th>Title</th>
<th>Signature</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delete</td>
<td>Michael H. Covert</td>
<td>President</td>
<td></td>
</tr>
<tr>
<td>Add</td>
<td>Diane Hansen</td>
<td>Chief Financial Officer</td>
<td></td>
</tr>
<tr>
<td>Add</td>
<td>Robert A. Hemker</td>
<td>President</td>
<td></td>
</tr>
</tbody>
</table>

* If you choose to provide your own Banking Resolution and Certificate of Incumbency (with specimen signatures), it must be attached to the signature card.

This Banking Resolution and Certificate of Incumbency must be signed as follows:
Corporations: Secretary or assistant secretary of the company must sign.

Any Partnership type: One of the general partners must sign. If the general partner is an organization, show the name of the general partner and include capacity of signer.

Limited Liability Company:
- **Member Managed LLC:** One of the members or an officer of the company must sign. If the member or manager is an organization, show the name of the member or manager and include capacity of signer.
- **Manager Managed LLC:** The manager or managers or an officer authorized of the company must sign. If the member or manager is an organization, show the name of the member or manager and include capacity of signer.

Other unincorporated organizations: An officer of the organization who is authorized by the by-laws or operating agreement of the company must sign.

Government entities, authorities or agencies: An authorized signer of the government entity/authority who is authorized by the statutes must sign.

In Witness Whereof, I have hereunto set my hand as (title) of the Organization listed above

<table>
<thead>
<tr>
<th>Title</th>
<th>Type or Print Name of Certifying Individual</th>
<th>Name of Company who is General Partner or Member, leave blank if not applicable. (Type or print Name of company including the legal name of any member, managing member, manager, or general partner who is signing and who is not an individual)</th>
</tr>
</thead>
<tbody>
<tr>
<td>President</td>
<td>Robert A. Hemker</td>
<td></td>
</tr>
</tbody>
</table>

Signature: Date: 8/4/14
TO: Palomar Health Development Board of Directors

MEETING DATE: Monday, August 4, 2014

FROM: Robert A. Hemker, CFO

Background: The FY2015 Operating Budgets for Palomar Health Development and the Research Institute were approved as part of Palomar Health’s budgeting process. An overview of the Budgets is included in the financial report for review and ratification by the Board.

Budget Impact: None.

Committee Questions:

STAFF RECOMMENDATION: Staff recommends approval of the FY2015 Operating Budgets for Palomar Health Development and the Research Institute.

Motion: X

Individual Action:

Information:
TO: Palomar Health Development Board

MEETING DATE: Monday, August 4, 2014

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 2014 Financial Reports (Addendum H).

Budget Impact: None.

STAFF RECOMMENDATION:

Motion: X

Individual Action:

Information:

Required Time:
ADDENDUM A
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- AU-C 265 Communication of No Material Weaknesses 7
- AU-C 260 Communication of Those Charged with Governance 8
- Management Representation Letter 10

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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, 2013.

Palomar Health Development, Inc.

- Our audit scope was in accordance with that communicated in our engagement letter dated September 16, 2013.
- We rendered an unmodified opinion on the June 30, 2013 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 September 16, 2013.
- We rendered an unmodified opinion on the statement of cash receipts and disbursements for the twelve months ended June 30, 2013.
- 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.
January 31, 2014

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, 2013, 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
January 31, 2014

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, 2013, and have issued our report thereon dated January 31, 2014. 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, 2013. 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.

Uncorrected Misstatements
Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.
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 January 31, 2014. 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
January 31, 2014
AKT LLP
7676 Hazard Center Drive
Suite 1300
San Diego, CA 92101

This representation letter is provided in connection with your audits of the financial statements of Palomar Health Development, (Organization) which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, 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 January 31, 2014, the following representations made to you during your audits.

Financial Statements
1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated September 16, 2013.
2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6) Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
7) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed. 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.
8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this representation letter.
9) 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 U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments. Material concentrations have been appropriately disclosed in accordance with U.S. GAAP.
10) Guarantees, whether written or oral, under which the Organization is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.
11) As part of your audit, you prepared the draft financial statements and related notes. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have assumed all management responsibilities. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
Information Provided

12) We have provided you with:
   a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters, and all audit or relevant monitoring reports, if any, received from funding sources.
   b) Additional information that you have requested from us for the purpose of the audits.
   c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

13) All material transactions have been recorded in the accounting records and are reflected in the financial statements.

14) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

15) We have no knowledge of any fraud or suspected fraud that affects the Organization and involves:
   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.

16) We have no knowledge of any allegations of fraud or suspected fraud affecting the Organization’s financial statements communicated by employees, former employees, grantors, regulators, or others.

17) We have disclosed to you all known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse whose effects should be considered when preparing financial statements.

18) We have disclosed to you all known actual or possible litigation, claims, and assessment whose effects should be considered when preparing the financial statements.

19) We have disclosed to you the identity of the Organization’s related parties and all the related party relationships and transactions of which we are aware.

20) 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.

21) 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.

22) Palomar Health Development, Inc. is an exempt organization under Section 503(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.

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

Signed:
Name: Kristine Roberts
Title: Financial Services Manager
January 31, 2014

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, 2013, 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 communication 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

AKT LLP
Carlsbad, California
January 31, 2014

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, 2013, and have issued our report thereon dated January 31, 2014. 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, 2013. 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 January 31, 2014. 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,

AKT LLP

Carlsbad, California
January 31, 2014

AKT LLP
5945 Priestly Drive, Suite 200
Carlsbad, CA 92008

This representation letter is provided in connection with your audit of the statements 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, 2013, 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, regardless of size, 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 January 31, 2014, the following representations made to you during your audit.

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated September 16, 2013, including our responsibility for the preparation and fair presentation of the financial statements.
- The financial statements referred to above are fairly presented in conformity with the cash basis of accounting.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- Related party relationships and transactions have been appropriately accounted for and disclosed.
- All events subsequent to the date of the financial statements and requiring adjustment or disclosure have been adjusted or disclosed.
- Material concentrations have been appropriately disclosed.

Information Provided

- We have provided you with:
  - Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
  - Additional information that you have requested from us for the purpose of the audit.
o Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

- All material transactions have been recorded in the accounting records and are reflected in the financial statements.

- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

- We have no knowledge of any fraud or suspected fraud that affects the Program and involves:
  o Management,
  o Employees who have significant roles in internal control, or
  o Others where the fraud could have a material effect on the financial statements.

- We have no knowledge of any allegations of fraud or suspected fraud affecting the Program's financial statements communicated by employees, former employees, grantors, regulators, or others.

- We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.

- 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, and we have not consulted a lawyer concerning litigation, claims, or assessments.

- We have disclosed to you the identity of the organization's related parties and all the related party relationships and transactions of which we are aware.

- 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.

- 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.

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

Signature: [Signature]
Name: Kristine Roberts
Title: Financial Services Manager
## PROPOSED JOURNAL ENTRIES

PJE #1 - To adjust the Marjorie Mosher Schmidt Foundation gift received in prior years from deferred revenue to temporary restricted.

<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>11,006.00</td>
<td>11,006.00</td>
</tr>
<tr>
<td>4260</td>
<td>Contribution Revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>11,006.00</td>
<td>11,006.00</td>
</tr>
</tbody>
</table>

PJE #2 – To record donated rent for the fair market value of Palomar Health Property.

<table>
<thead>
<tr>
<th>Account</th>
<th>Description</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>8210</td>
<td>Building Rent</td>
<td>6,260.00</td>
<td>6,260.00</td>
</tr>
<tr>
<td>4215</td>
<td>InKind Donation</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>6,260.00</td>
<td>6,260.00</td>
</tr>
</tbody>
</table>
PALOMAR HEALTH DEVELOPMENT, INC.

Financial Statements

Years Ended June 30, 2013 and 2012
Table of Contents

Independent Auditors’ Report

Financial Statements:

  Statements of Financial Position
  Statements of Activities
  Statements of Cash Flows
  Notes to Financial Statements
INDEPENDENT AUDITORS’ REPORT

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

We have audited the accompanying financial statements of Palomar Health Development, Inc., which comprise the financial position as of June 30, 2013 and 2012, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2013 and 2012, and the results of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

San Diego, California
January 31, 2014
### PALOMAR HEALTH DEVELOPMENT, INC.
#### Statements of Financial Position
June 30, 2013 and 2012

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$813,778</td>
<td>$845,561</td>
</tr>
<tr>
<td>Grants receivable</td>
<td>480,657</td>
<td>703,981</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>2,087</td>
<td>2,140</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td><strong>1,296,522</strong></td>
<td><strong>1,551,682</strong></td>
</tr>
<tr>
<td>Property and Equipment, net of accumulated depreciation</td>
<td>-</td>
<td>345</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$1,296,522</strong></td>
<td><strong>$1,552,027</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES AND NET DEFICIT</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current portion of note payable - Palomar Health</td>
<td>$120,000</td>
<td>$120,000</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>461,067</td>
<td>582,332</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>15,200</td>
<td>38,267</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>39,510</td>
<td>136,182</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td><strong>635,777</strong></td>
<td><strong>876,781</strong></td>
</tr>
<tr>
<td>Note Payable, net of current portion - Palomar Health</td>
<td>2,745,996</td>
<td>2,771,585</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>3,381,773</strong></td>
<td><strong>3,648,366</strong></td>
</tr>
</tbody>
</table>

Net Assets (Deficit):
- Unrestricted: (2,330,153) (2,430,659)
- Temporarily restricted: 244,902 334,320

**Total Net Deficit** (2,085,251) (2,096,339)

**Total Liabilities and Net Deficit** $1,296,522 $1,552,027

See accompanying notes to financial statements.
<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>$3,903,218</td>
<td>$-</td>
<td>$3,903,218</td>
</tr>
<tr>
<td>Contributions</td>
<td>-</td>
<td>5,000</td>
<td>5,000</td>
</tr>
<tr>
<td>Other income</td>
<td>212</td>
<td>-</td>
<td>212</td>
</tr>
<tr>
<td>Net assets released from restrictions, satisfaction of program restrictions</td>
<td>94,418</td>
<td>(94,418)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Revenue and Support</strong></td>
<td>3,997,848</td>
<td>(89,418)</td>
<td>3,908,430</td>
</tr>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program services</td>
<td>2,543,020</td>
<td>-</td>
<td>2,543,020</td>
</tr>
<tr>
<td>General and administrative</td>
<td>1,354,322</td>
<td>-</td>
<td>1,354,322</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>3,897,342</td>
<td>-</td>
<td>3,897,342</td>
</tr>
<tr>
<td>Increase (Decrease) in Net Assets</td>
<td>100,506</td>
<td>(89,418)</td>
<td>11,088</td>
</tr>
<tr>
<td><strong>Net Assets (Deficit), beginning</strong></td>
<td>(2,430,659)</td>
<td>334,320</td>
<td>(2,096,339)</td>
</tr>
<tr>
<td><strong>Net Assets (Deficit), ending</strong></td>
<td>$ (2,330,153)</td>
<td>$244,902</td>
<td>$ (2,085,251)</td>
</tr>
</tbody>
</table>
## 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>$3,331,319</td>
<td>$</td>
<td>$3,331,319</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><strong>Total Revenue and Support</strong></td>
<td>$3,426,812</td>
<td>(95,243)</td>
<td>$3,331,569</td>
</tr>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program services</td>
<td>2,324,800</td>
<td></td>
<td>2,324,800</td>
</tr>
<tr>
<td>General and administrative</td>
<td>889,487</td>
<td></td>
<td>889,487</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>3,214,287</td>
<td></td>
<td>3,214,287</td>
</tr>
<tr>
<td><strong>Increase (Decrease) in Net Assets</strong></td>
<td>212,525</td>
<td>(95,243)</td>
<td>117,282</td>
</tr>
<tr>
<td><strong>Net Assets (Deficit), beginning</strong></td>
<td>(2,643,184)</td>
<td>429,563</td>
<td>(2,213,621)</td>
</tr>
<tr>
<td><strong>Net Assets (Deficit), ending</strong></td>
<td>$ (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.
#### Statements of Cash Flows
##### Years Ended June 30, 2013 and 2012

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Flows from Operating Activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in net assets</td>
<td>$11,088</td>
<td>$117,282</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>345</td>
<td>459</td>
</tr>
<tr>
<td>Note payable discount - Palomar Pomerado Health</td>
<td>94,418</td>
<td>95,478</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants receivable</td>
<td>223,324</td>
<td>(181,166)</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>53</td>
<td>(12)</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>(121,265)</td>
<td>148,810</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>(23,067)</td>
<td>22,767</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>(96,672)</td>
<td>40,462</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Cash Provided by Operating Activities</td>
<td>88,224</td>
<td>244,080</td>
</tr>
</tbody>
</table>

| Cash Flows from Financing Activities: |        |        |
| Payments on note payable - Palomar Health | (120,007) | (120,000) |
|                         |        |        |
| Net (Decrease) Increase in Cash | (31,783) | 124,080 |
| Cash, beginning | 845,561 | 721,481 |
| Cash, ending | $813,778 | $845,561 |

Supplemental disclosure of noncash financing activities

| Interest relieved from restrictions as contribution | $94,418 | $95,478 |

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 Health (PH), 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, 2013 and 2012.

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, 2013 and 2012, 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, 2013 and 2012, 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 Organization 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 Organization’s federal income tax returns for the years prior to 2010 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 January 31, 2014, 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 insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of $250,000 per depositor, per financial institution. At June 30, 2013, the Organization’s total uninsured cash balance was $588,676.
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 55% and 52% of the Organization’s contract revenue for the years ended June 30, 2013 and 2012, and 94% and 58% of the Organization’s grants receivable at June 30, 2013 and 2012, respectively. The Program has been extended for the third incremental term beginning July 1, 2013 and ending June 30, 2014.

Economic Dependency
The Organization is economically dependent on PH.

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

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</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>(28,940)</td>
<td>(28,595)</td>
</tr>
<tr>
<td><strong>Net</strong></td>
<td><strong>-</strong></td>
<td>$345</td>
</tr>
</tbody>
</table>

Note 5 - Net Assets
At June 30, 2013 and June 30, 2012, temporarily restricted net assets are primarily available for interest on the note payable to PH and at June 30, 2013 $5,000 was temporarily restricted for staff education for the Sexual Assault Response Team (SART).

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

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest on note payable to Palomar Health</td>
<td>$94,418</td>
<td>$95,243</td>
</tr>
</tbody>
</table>

Note 6 - Related Party Transactions

Purchases
The Organization reimburses PH for all payroll services provided as well as other expenses. At June 30, 2013 and 2012, the amount due to PH included in accounts payable was $339,786 and $450,455, respectively.
Note 6 - Related Party Transactions, continued

Line of Credit and Note Payable
The Organization had a line of credit from PH 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.

In February 2011, PH'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 $94,418 and $95,478 is reported in the statement of activities for the year ended June 30, 2013 and 2012, 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 June 30,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$120,000</td>
</tr>
<tr>
<td>2015</td>
<td>120,000</td>
</tr>
<tr>
<td>2016</td>
<td>2,865,897</td>
</tr>
<tr>
<td></td>
<td>3,105,897</td>
</tr>
<tr>
<td>Less unamortized discount</td>
<td>(239,901)</td>
</tr>
<tr>
<td></td>
<td>2,865,996</td>
</tr>
<tr>
<td>Less current portion</td>
<td>(120,000)</td>
</tr>
<tr>
<td></td>
<td>$2,745,996</td>
</tr>
</tbody>
</table>

Operating Lease
The Organization leased office space and clinical support services in Escondido for the Healthy Development Services Program. The initial lease term was from February 1, 2011 to January 31, 2012, 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 PH (a related party). The lease terms with Palomar Health are July 1, 2012 to June 30, 2013. Effective July 1, 2013, the Organization receives donated space from Palomar Health in return for maintenance upkeep. Rent expense was $20,032 and $3,700 for the years ended June 30, 2013 and 2012, respectively.
ADDENDUM B
Palomar Health Development, Inc.
Healthy Development Services Program

Program Specific Audit Statement

Twelve Months Ended June 30, 2013
Table of Contents

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<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>3</td>
</tr>
<tr>
<td>Notes to Financial Statement</td>
<td>4</td>
</tr>
<tr>
<td>Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <em>Government Auditing Standards</em></td>
<td>5</td>
</tr>
</tbody>
</table>
INDEPENDENT AUDITORS’ REPORT

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

Report on the Financial Statements

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, 2013.

Management’s Responsibility

Management is responsible for the preparation and fair presentation of the financial statements of the program in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on the financial statements of the program based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the statement of cash receipts and disbursements, referred to above present fairly, in all material respects, the cash receipts and disbursements under the Healthy Development Services Program, administered by Palomar Health Development, Inc., for the twelve months ended June 30, 2013, in accordance with the basis of accounting described in Note 1.
Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Carlsbad, California
January 31, 2014
## Statement of Cash Receipts and Disbursements

Twelve Months Ended June 30, 2013

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Beginning Cash</strong></td>
<td>$372</td>
</tr>
<tr>
<td><strong>Additions:</strong></td>
<td></td>
</tr>
<tr>
<td>Program receipts</td>
<td>$2,085,844</td>
</tr>
<tr>
<td><strong>Deductions:</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Personnel:</strong></td>
<td></td>
</tr>
<tr>
<td>Salaries and benefits</td>
<td>$1,191,087</td>
</tr>
<tr>
<td><strong>Services and Supplies:</strong></td>
<td></td>
</tr>
<tr>
<td>Purchased services</td>
<td>$638,227</td>
</tr>
<tr>
<td>Supplies and subscriptions</td>
<td>$17,597</td>
</tr>
<tr>
<td>Rent, building and utilities</td>
<td>$16,587</td>
</tr>
<tr>
<td>Equipment rental and minor equipment</td>
<td>$11,219</td>
</tr>
<tr>
<td>Medical and educational supplies</td>
<td>$5,159</td>
</tr>
<tr>
<td>Mileage and travel</td>
<td>$4,237</td>
</tr>
<tr>
<td>Service facilitation funds</td>
<td>$4,203</td>
</tr>
<tr>
<td>Phone and answering service</td>
<td>$3,945</td>
</tr>
<tr>
<td>Conferences</td>
<td>$3,647</td>
</tr>
<tr>
<td>Outside training</td>
<td>$3,532</td>
</tr>
<tr>
<td>Repair and maintenance</td>
<td>$3,133</td>
</tr>
<tr>
<td>Volunteer incentives</td>
<td>$2,836</td>
</tr>
<tr>
<td>Provider engagement</td>
<td>$927</td>
</tr>
<tr>
<td><strong>Total Deductions</strong></td>
<td>$2,085,845</td>
</tr>
<tr>
<td><strong>Administrative Overhead</strong></td>
<td>$179,509</td>
</tr>
<tr>
<td><strong>Ending Cash</strong></td>
<td>$371</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statement.
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, 2012 to June 30, 2013.

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 January 31, 2014, which is the date the statement of cash receipts and disbursements was available to be issued.

Note 2 - Related Party
The Program reimburses Palomar Health (PH) 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 PH. Additionally, PH’s board of directors selects all of PHD’s board members.
INDEPENDENT AUDITORS’ 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the 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, 2013 and have issued our report thereon dated January 31, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the statement of cash receipts and disbursements, we considered Palomar Health Development, Inc.’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Palomar Health Development’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 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or 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.
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.

We noted certain other matters that we reported to management of Palomar Health Development, Inc. in a separate letter dated January 31, 2014.

Purpose of this Report

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

AKT LLP

Carlsbad, California
January 31, 2014
ADDENDUM C
Palomar Health
North County
First 5 FIRST STEPS
Home Visiting Program
(Serving North Inland
and North Coastal Regions)
Introduction

• Shirin Strauss, MA, ICCE, IBCLC
  Program Director
  North County First 5 First Steps

• Virginia Barragan FACHE, DPT, MOMT
  Director of Rehab Services, Development Services, North County First 5 First Steps
Situation

• In North Inland & North Coastal regions, two of the most pressing health needs are adequate prenatal care and child abuse prevention
• Current First 5 Initiative provides targeted at risk home visiting to address these needs
• Program started July 1, 2013
• Palomar Health awarded grant funding as the North County Lead (initial time frame: 5 years)
Background

• First 5 FIRST STEPS is a county-wide grant-funded program by the First 5 Commission of San Diego

• American Academy of Pediatrics San Diego Chapter (AAP-CA3) is the FIRST STEPS county-wide coordinator

• The project provides intensive non-medical home-visiting to enhance positive birth outcomes and child health and development for families who face hardships that place them at increased risk for poor outcomes
Grant Funding

$6,441,615 TOTAL 5 years of funding (FY13 – 18)

• $1,328,323 - July 1, 2013 – June 30, 2014.
  Year One (FY13-14)
  ($1,278,323 annual + $50,000 start-up funds)

  Current: Year Two (FY14-15)
  ($1,278,323 annual + $180,231 FY13-14 rollover)

• $1,278,323 annually for each of the remaining 3 years
Target Populations

- Home-visiting services are offered free of charge to:
  
  - Low-Income Families (< 200% FPL)
  - Teens (ages 13-21 yrs)
  - Immigrants/Refugees
  - Military Families

- Services are available for all mom’s
  (a first time mom, or 2\textsuperscript{nd} or 3\textsuperscript{rd} baby, etc.)
Expected Outcomes

Implementing Two Nationally Recognized, Evidence-Based Models: Healthy Families America (HFA) and Parents As Teachers (PAT)

• Increase Utilization of Prenatal Care
• Reduce Pre-Term and Low Birth-Weight Babies
• Increase Access to Primary Care Medical Services (pediatrics and ongoing health care for families)
• Increase Immunization Rates
• Reduce Child Abuse and Neglect
• Nurture Healthy Parent-Child Relationships and Age-Appropriate, Healthy Development
• Link Families to Local Resources and Services
• Increase Parenting Skills and Knowledge
Regions and Partners

• The First 5 FIRST STEPS Program provides services to eligible families residing in all 43 zip codes in North Inland and North Coastal Regions

  – Partnering Organizations
    • Home Start
    • Vista Community Clinic

  – External Program Evaluation
    • SDSU Maternal Child Health Initiative
Services Provided

• Home Visits
  • Moms enrolled prenatally; services provided until the child is 3 years of age
  • Weekly, bi-monthly or monthly home visits based on family needs assessments
  • Individualized services based on family’s strengths and needs

• Monthly Parent Meetings
  • Parent Education and Community Resources
  • Socialization Opportunities

• Home Visitors
  • Non-medical model
  • Health Educators with extensive experience and education working with families and young children
  • 100% Bilingual staff
Services Provided: Year 1 Successes

- 103 Families Enrolled
  (Oct 2013 – June 2014)
- Over 1,810 Home Visits Provided
to At Risk Families Throughout North County
  (North Inland and North Coastal)
- Over 1,072 Screenings and Assessments Provided
to Children and Families

Our Team
Referrals and More Information

• **Referrals:** Prenatally

• **Eligibility Criteria:** Family in target population, not enrolled in Nurse Family Partnership, and lives in N. County (N. Inland or N. Coastal)

• **FAX Referral Form to Palomar Health FIRST STEPS Program:** 760-739-2835 (we will call the family to assess family interest and eligibility)

For more information, contact:
Shirin Strauss, M.A., ICCE, IBCLC, Program Director
at
760-739-3990, or
shirin.strauss@palomarhealth.org
ADDENDUM D
PH Pharmacy Services

Grant/ Stipend Awards
# PH Pharmacy Services

<table>
<thead>
<tr>
<th>Grant/ Award</th>
<th>Amount</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASHP PGY-1 Residency Expansion Grant Award for Ambulatory Care.</td>
<td>$40,000</td>
<td>National Recognition of Excellence in Post-doctorate education of Pharmacy professionals.</td>
</tr>
<tr>
<td>Keck Graduate Institute (KGI) PGY-2 Grant/ Stipend for Transition of Care Residency Program</td>
<td>$55,000</td>
<td>College of Pharmacy stipend associated with Second Year Post-Doctorate Educational Excellence.</td>
</tr>
<tr>
<td>CareFusion Clinical Excellence Grant Award</td>
<td>$50,000</td>
<td>Research Nuisance Alarming associated with Alaris Infusion Smart-Pumps.</td>
</tr>
<tr>
<td>Total</td>
<td>$145,000</td>
<td>PH Pharmacy Services Educational Program.</td>
</tr>
</tbody>
</table>
ADDENDUM E
IRC report
Health Development Board
8/4/14
Melissa Rouse, PhD, RN, CNS-BC
Richard Just, MD - chair
Purpose of IRC

• To review research study protocols and evidence based or quality improvement projects, submitted to the Investigational Review Committee.

• The focus is on protection of human subjects, informed consent, research ethics and the protection of patient health information data.
Progress this year

• Revised IRC procedure in Lucidoc
• Revised administrative review process
• EBP/QI projects coming to IRC now
• Revised forms for Research and EBP/QI
• Forms located on intranet and internet site
Research Studies
11/12 to present

• Open – 10 (Nursing)
  – 6 (Physician)
  – 3 (Pharmacy)
  – 1 (Org. Development)

• Closed – 6 (Nursing)
Evidence Based Practice (EBP) Projects 7/13 to present

• Open – 8 (Nursing)
• Closed – 1 (Nursing)
Quality Improvement (QI) Projects 7/13 to present

• Open – 16 (Nursing and Pharmacy)
• Closed - 0
ADDENDUM F
Grant Update

August 4, 2014
## Current Grants

<table>
<thead>
<tr>
<th>TITLE</th>
<th>GRANTEE</th>
<th>Purpose</th>
<th>Awarded</th>
<th>FY15 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>$100,479</td>
<td>5/25/05-6/30/18</td>
<td>*$100,328 received in FY14 *FY15 receivable may be decreased due to closure of PCCC</td>
</tr>
<tr>
<td>First 5 First Steps</td>
<td>First 5 Commission</td>
<td>To provide a comprehensive, community-based Targeted at Risk Home Visiting project for the North Inland/North Coastal region using the Healthy Families America (HFA) and Parents As Teachers (PAT) models. Palomar Health will lead this project and provide direct home visiting services.</td>
<td>$2,606,646 over 2 years</td>
<td>$1,458,544 (includes $180,231 rollover funds)</td>
<td>7/1/2013-6/30/2015</td>
<td>*$1,096,340 invoiced in FY14 *$100,934 overhead budget for FY15</td>
</tr>
<tr>
<td>Healthy Development Services (HDS)</td>
<td>First 5 Commission</td>
<td>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</td>
<td>$8,760,000</td>
<td>$2,155,311</td>
<td>07/01/10-06/30/15</td>
<td>*$2,150,515 invoiced in FY14 *$199,122 overhead budget for FY15</td>
</tr>
</tbody>
</table>
## Current Grants

<p>| TITLE                                                | GRANTEE                                                                 | Purpose                                                                 |
|------------------------------------------------------|-------------------------------------------------------------------------|
| MAA (Medical Administrative Activities)              | County of San Diego Health &amp; Human Services Agency                      | 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. |
|                                                      |                                                                         | Approx. $275,000 Annually Estimated at $79,200 ($67,320 to PH, $11,880 to PHD) |
|                                                      |                                                                         | N/A *FY14 receivable $260,317 ($221,270 receivable to PH &amp; $39,047 to PHD) |
|                                                      |                                                                         | *final quarter will be invoiced in FY15 |
| Schwartz Center Rounds                               | The Schwartz Center for Compassionate Healthcare                         | To promote compassionate healthcare through the conduction of Schwartz Center Rounds educational forums and programs. |
|                                                      |                                                                         | $5,000 0 7/1/2013 –  |
|                                                      |                                                                         | N/A *PHD reimbursed PH $1,756 for expenses associated with conducting Schwartz Rounds in FY14 |
| Green Oaks Ranch                                     | New Alternatives, Inc.                                                 | 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. |
|                                                      |                                                                         | $863,500 ($157,000 annually for up to 5.5 years) $157,000 1/1/14-12/31/14 with option to extend for 3.5 years, not to exceed 6/30/18. |
|                                                      |                                                                         | *$153,816 invoiced in FY14 |</p>
<table>
<thead>
<tr>
<th>TITLE</th>
<th>GRANTEE</th>
<th>Purpose</th>
<th>Awarded</th>
<th>FY15 Funds Receivable</th>
<th>Beg/End Date</th>
<th>Updates</th>
</tr>
</thead>
</table>
| National Children’s Alliance (NCA) | National Children’s Alliance (NCA) | 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. | $9,000 Annually | $9,000 | 1/1/04-N/A | *Annual funding reduced from $10,000 to $9,000 in FY14  
*$9,000 award letter dated 6/24/14 |
| Marjorie Mosher Schmidt Foundation - Child Abuse Program | Marjorie Mosher Schmidt Foundation | To provide funds for Nurse education as well as forensic imaging equipment. | $27,000 | $0 | 12/14/09-N/A | *Additional funding is not expected at this time |
| In-n-Out - Child Abuse Program | In-N-Out Child Abuse Foundation | 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. | $26,500 | $0 | N/A | *Received $7,500 in December 2013  
*FY15 application due 8/1/14 |
## New Grants

<table>
<thead>
<tr>
<th>TITLE</th>
<th>GRANTEE</th>
<th>Purpose</th>
<th>Awarded</th>
<th>FY15 Funds Receivable</th>
<th>Beg/End Date</th>
<th>Updates</th>
</tr>
</thead>
<tbody>
<tr>
<td>CareFusion Foundation I 6879</td>
<td>The San Diego Foundation</td>
<td>To utilize continuous quality data and staff observation to analyze infusion device alarms and develop a set of best practices for medication storage and preparation, pump settings, and infusion administration processes to reduce harm associated with infusion alarms</td>
<td>$50,000</td>
<td>$0</td>
<td>7/1/14-6/30/15</td>
<td>*$50,000 payment received 7/15/14</td>
</tr>
<tr>
<td>Pharmacy Residency Expansion Grant (PEG) Program Advancing Pharmacy Practice through Residency Training</td>
<td>ASHP Foundation</td>
<td>To expand the number of hospital/health-system based PGY1 and PGY2 pharmacy residency positions for the 2014-2015 training year.</td>
<td>$40,000</td>
<td>$0</td>
<td>7/1/14-6/30/15</td>
<td>*$40,000 payment received 7/15/14</td>
</tr>
<tr>
<td>Keck Pharmacy Resident grant</td>
<td>Keck Graduate Institute of Pharmacy</td>
<td>To provide the opportunity for 2 Palomar Health Residents to participate in teaching Pharmacy students.</td>
<td>$55,000 per year, per resident</td>
<td>$110,000</td>
<td>7/1/14-8/31/18</td>
<td>*Program began 7/1/14 and will be invoiced on a quarterly basis</td>
</tr>
</tbody>
</table>
## New Grants

<table>
<thead>
<tr>
<th>TITLE</th>
<th>GRANTEE</th>
<th>Purpose</th>
<th>Awarded</th>
<th>FY15 Funds Receivable</th>
<th>Beg/End Date</th>
<th>Updates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Asset Forfeiture Funds</td>
<td>District Attorney of the County of San Diego</td>
<td>to purchase a portable SDFI TeleMedicine forensic health camera system to use as a part of the SART (Sexual Assault Response Team) and CAP (Child Abuse Program) at the Palomar Health Foundation.</td>
<td>$13,000</td>
<td>$13,000</td>
<td>7/1/14-n/a</td>
<td>*Award notice received 4/15/14</td>
</tr>
<tr>
<td>Neighborhood Reinvestment Program</td>
<td>County of San Diego Board of Supervisors</td>
<td>To purchase equipment for the SART program</td>
<td>$10,714</td>
<td>$10,714</td>
<td>4/15/14-5/15/15</td>
<td>*Award notice received 4/28/14</td>
</tr>
</tbody>
</table>
### Pending Grants

<table>
<thead>
<tr>
<th>TITLE</th>
<th>GRANTEE</th>
<th>Purpose</th>
<th>Potential Award Amount</th>
<th>Status</th>
</tr>
</thead>
</table>
| TAKE CHARGE Obesity Prevention for Youth | Wellpoint Foundation | Provides education and support to low-income families of fourth grade students who are identified as being at risk for obesity and diabetes. | $60,000                | *Grant application due 9/12/14  
*Award determination in April/May 2015 |

### Non-Funded 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>Komen - Bilingual Nurse Navigator</td>
<td>Susan G. Komen Foundation</td>
<td>To provide a Bilingual Nurse Navigator position for Spanish speaking patients who are treated at the Women's Center</td>
<td>$20,000</td>
<td>*Received denial notice from Komen dated 3/24/14.</td>
</tr>
</tbody>
</table>
## Expired Grants

<table>
<thead>
<tr>
<th>TITLE</th>
<th>GRANTEE</th>
<th>Purpose</th>
<th>Awarded</th>
<th>FY15 Funds Receivable</th>
<th>Beg/End Date</th>
<th>Updates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Glassomics</td>
<td>Qualcomm</td>
<td>To conduct research and development into the application of advanced mobile and wireless technology in medicine.</td>
<td>$50,000</td>
<td>0</td>
<td>9/1/2013 – 4/1/2014</td>
<td>*Funds fully expended in Jan 2014</td>
</tr>
</tbody>
</table>
ADDENDUM G
# 2014 Attendance Roster

## Board of Directors

<table>
<thead>
<tr>
<th>Members</th>
<th>Meeting Dates</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2/3/14</td>
</tr>
<tr>
<td>Michael Covert, FACHE</td>
<td>P</td>
</tr>
<tr>
<td>Linda Greer, RN</td>
<td>P</td>
</tr>
<tr>
<td>Bob Hemker</td>
<td>P</td>
</tr>
<tr>
<td>Ted Kleiter</td>
<td>P</td>
</tr>
<tr>
<td>Bruce Krider</td>
<td>P</td>
</tr>
</tbody>
</table>

**Guest Presenters**¹

- P = Present  E = Excused  A = Absent  C = Chair

¹ See text of minutes for names of invited guests/presenters
# BOARD OF DIRECTORS

## MEETING MINUTES

### MONDAY, FEBRUARY 3, 2014

6:00 p.m.

456 E. Grand Avenue, Escondido, CA

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### BOARD OF DIRECTORS – MEETING MINUTES – MONDAY, FEBRUARY 3, 2014

#### (I.A) AGENDA ITEM

- **DISCUSSION**
  - **CONCLUSIONS/ACTION**
  - **FOLLOW-UP/RESP PARTY**

### I. CALL TO ORDER

- Chairperson Greer called the meeting to order at 6:00 p.m.
- Quorum comprised of Directors Covert, Greer, Hemker, Kleiter and Krider.
- Notice of Meeting and Full Agenda Packet were posted at Palomar Health facilities and on the Palomar Health Development, Inc. (PHD) home page on the Palomar Health web site on Monday, January 27, 2014, which is consistent with legal requirements. Notice of that posting was also made via email.

### II. PUBLIC COMMENTS

- There were no public comments

### III. PRESENTATIONS

#### A. UPDATE ON GRANTS & CONTRACTS INVENTORY AND PROPOSALS

- **INFORMATION ONLY**
  - Glassomics representative to report on outcomes at the next meeting

Utilizing the presentation included as Addendum A of the agenda packet, Aimee Jones presented the following update:

- **Bioterrorism**
  - Paid in two installments, with the first to be received this month and the second in May
  - We send the County our deliverables (attendance at training seminars, etc.), and we use the funds from those deliverables for other expenses
  - Given latitude to use the funds for any form of readiness
    - We have ensured with County sources that we are using the funds the way they were meant to be spent

- **MAA**
  - We are still invoicing based on the old methodology, even though we aren’t participating in the program in its new form, as the County has accepted the old methodology for this period
  - Cannot invoice beyond FY2013

- **Glassomics** is a research study regarding the use of Google glasses
  - Will have spent the remaining funds in the next month and will have a representative at the next meeting to discuss outcomes

- **Green Oaks Ranch**
  - If we were not to move ahead with SART program, it is possible that the services could still be provided at Green Oaks Ranch, under that specific grant

- **Expired grant – Clinical Investigator Research Grant Program**
  - Grant funded Melissa Rouse’s PhD dissertation in nursing on undiagnosed pre-diabetes & diabetes in the ED
    - She has been presenting her findings to the ER physicians
## DISCUSSION

### AGENDA ITEM

- There is a second study underway to determine next steps.

- Kimberly Cardoso of the Palomar Health Foundation provided a further update on the SART Program:
  - Foundation has conducted a lot of activity, with fundraising efforts that began in early June 2013.
  - Built a list of potential donors.
  - Have built awareness of the program throughout the local community.
    - They are contemplating widening the efforts to the larger metropolitan areas like Los Angeles and San Francisco, as there are more numerous private donor opportunities.
  - In addition to individual solicitations, the awareness building efforts, presentations to women’s groups, and solicitations to corporations.
    - Made 100 inquiries to private and corporate foundations, which resulted in traction with various foundations:
      1) Received an award from The Country Friends in Rancho Santa Fe.
      2) The Issa Family Foundation also pledged and gave $20,000 to CAP/SART, indicating that they would like to offer ongoing support.
        a) Ms. Cardoso is following up on that further interest.
  - Submitted 70 letters of intent.
  - Had 50 conversations with grant officers.
  - There was a Junior League fundraiser on Saturday that raised at least $5K.
    - There were numerous other causes competing for the opportunity to benefit from the fundraiser, but SART was chosen.
  - To date the Foundation has received $175K in cash, with another $44K pledged.

- Director Hemker reminded the Board that Palomar Health had budgeted funds for the program through the end of December 2013:
  - Unreimbursed costs were running around $15K-$20K per month, so the cash/pledged funds will definitely carry it through the end of the fiscal year.
  - The ongoing challenge for each year will be getting grants/seed money in advance in order to keep continuing the program.
  - There are ongoing efforts to work with local and County law enforcement to garner more financial support from them.
    - The Foundation has a meeting on February 13th Supervisor Dave Roberts & Supervisor Bill Horn to discuss long-term funding for this program.

### CONCLUSIONS/ACTION

<table>
<thead>
<tr>
<th>FOLLOW-UP/RESP PARTY</th>
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### FOLLOW-UP/RESP PARTY

<table>
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<th>FOLLOW-UP/RESP PARTY</th>
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## IV. MINUTES* – Regular Meeting, Tuesday, October 29, 2013

**MOTION:** By Director Kleiter, seconded by Director Krider and carried to approve the minutes of the Regular Meeting, Tuesday, October 29, 2013. All in favor. None opposed.

### V. OLD BUSINESS

#### A. PRIOR MEETING ACTION ITEMS

**Information Only**

### VI. NEW BUSINESS*

#### A. Resolution No. 02.03.14(01)-1 – Acknowledging Appointment of the New Board and Confirming the Election of Officers for Calendar Year 2014

**MOTION:** By Director Kleiter, seconded by Director Krider and carried to elect the current slate of officers for another year (Linda C. Greer, RN, Chairperson; Bruce G. Krider, MA, Vice-Chairperson; T.E. Kleiter, Secretary; and Bob Hemker, Treasurer) and to adopt.
AGENDA ITEM

• DISCUSSION

Resolution No. 02.03.14(01)-1 – Acknowledging Appointment of the New Board and Confirming the Election of Officers for Calendar Year 2014, after it has been amended to include the names of the officers as elected. All in favor. None opposed.

B. Resolution No. 02.03.14(02)-2 – Authorizing the Adoption of Bylaw Changes

MOTION: By Director Krider, seconded by Director Kleiter and carried to adopt Resolution No. 02.03.14(02)-2 – Authorizing the Adoption of Bylaw Changes. All in favor. None opposed.

• Director Hemker stated that the Bylaws currently require that the Board meet three times a year
  o Based on the business being conducted, meeting twice per year would be sufficient
  o The Board can always convene an extra meeting if needed, this change to the Bylaws just means the Board is not obligated to have three meetings a year

C. Resolution No. 02.03.14(03)-3 – Setting the Date, Time & Location for the Remaining Regular Meeting for Calendar Year 2014

MOTION: By Director Kleiter, seconded by Director Krider and carried to hold the remaining regular meeting for Calendar Year 2013 on Monday, August 4, 2014, at 6:00 p.m., in the First Floor Conference Room at 456 E. Grand Avenue, Escondido, CA, and to adopt Resolution No. 02.03.14(03)-3 – Setting the Date, Time & Location for the Remaining Regular Meeting for Calendar Year 2014, after it has been amended to reflect the above date, time and location as approved. All in favor. None opposed.

• Director Hemker stated that the proposed dates could be found on Pages 11 and 12 of the agenda packet
  o Secretary Tanya Howell commented that the dates had been chosen based on executive availability and the fact that they did not coincide with any Palomar Health Board meetings

D. Resolution No. 02.03.14(04)-4 Confirming Appointment of the Officers of the Corporation for Calendar Year 2014

MOTION: By Director Krider, seconded by Director Kleiter and carried to appoint the current slate of officers for one more term (Michael H. Covert, FACHE, President; Bob Hemker, CFO; Tanya Howell, Secretary), and to adopt Resolution No. 02.03.14(04)-4 Confirming Appointment of the Officers of the Corporation for Calendar Year 2014, after it is amended to include the names of those officers appointed. All in favor. None opposed.

• No discussion

E. Resolution No. 02.03.14(05)-5 Naming Authorized Signatories for Banking Accounts and Setting Signature Authority Limits

MOTION: By Director Krider, seconded by Director Kleiter and carried to adopt Resolution No. 02.03.14(05)-5 Naming Authorized Signatories for Banking Accounts and Setting Signature Authority Limits. All in favor. None opposed.

• Director Hemker stated that the signing authority was for the President and CFO as corporate officers by title, and that the Corporate Controller of Palomar Health was also added for purposes of secondary signature

F. Resolution No. 02.03.14(06)-6 Deposit Account & Treasury

MOTION: By Director Kleiter, seconded by Director Krider and...
AGENDA ITEM

• DISCUSSION

Management Services Banking Resolution and Certificate of Incumbency

CONCLUSIONS/ACTION

carried to adopt Resolution No. 02.03.14(06)-6 Deposit Account & Treasury Management Services Banking Resolution and Certificate of Incumbency. All in favor. None opposed.

FOLLOW-UP/ RESP PARTY

Director Hemker stated this document was required by the bank in order to change some matters on the corporate bank account

G. YTD FINANCIAL REPORTS

MOTION: By Director Krider, seconded by Director Kleiter and carried to approve the December 2013, FYTD2014 Financial Reports for Palomar Health Development and the Research Institute. All in favor. None opposed.

Utilizing the presentation included as Addendum C of the agenda packet, Kristine Roberts presented December 2013, FYTD 2014 financial information for Palomar Health Development (PHD) and the Research Institute (RI)

• PHD
  o Revenue had a positive variance vs. budget of $38.0K
    – Mostly due to First Steps, which was still pending approval when the budget was created, so was not budgeted
    – There is also the MAA funds for which we are still being allowed to invoice, which were also not budgeted
  o Expenses had a positive variance vs. budget of $82

• RI
  o Revenue had a positive variance vs. budget of $324K
    – Predominantly due to a study that was also pending approval when the budget was created, so for which we didn’t budget
      1) We generally budget protocol revenues only
    o Net Income had a positive variance vs. budget of $4,900
      – Due in large part to the lowered administrative fee being paid to Palomar Health from $24K/year to $12K/year for the Finance Department’s work for RI

• Trend from FY2006-2014
  o We are holding the trend of keeping expenses in line with revenue
  o We continue to use PHD as a conduit for grants, keeping staffing to a minimum
  o We don’t have people on staff who write grant applications
  o If there is a grant writer needed, we use our best judgment on whether the opportunity would outweigh the cost, then purchase their services as needed
  o There is a lack of Federal grants available to us, and that type of grant is more often the one that would pay indirect expenses compared to a private grant

VII. INFORMATION ITEMS

A. MEDICAL DIRECTORSHIP FOR FIRST 5 HEALTHY DEVELOPMENT SERVICES – BYRON CHOW, MD

  Information Only

  • No discussion

VIII. BOARD MEMBER COMMENTS/FUTURE AGENDA ITEMS

  • If anything other than Glassomics, will bring them forward as presentations

IX. ADJOURNMENT
<table>
<thead>
<tr>
<th>AGENDA ITEM</th>
<th>CONCLUSIONS/ACTION</th>
<th>FOLLOW-UP/RESP PARTY</th>
</tr>
</thead>
<tbody>
<tr>
<td>DISCUSSION</td>
<td></td>
<td></td>
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</tbody>
</table>

The meeting was adjourned by Chairperson Greer at 6:35 p.m.

SIGNATURES:

PHD Board Chair: 

___________________________________

Board Assistant: Tanya Howell

_________________________________

Next Meeting: Monday, August 4, 2014 at 6:00 p.m., 1st Floor Conference Room, Palomar Health Administration, 456 E. Grand Avenue, Escondido, CA
ADDENDUM H
Financial Review

June 2014

FY14 YTD

AUGUST 4, 2014
## FISCAL YEAR 2014
### June 2014 YTD - 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></td>
<td></td>
</tr>
<tr>
<td></td>
<td>289,932</td>
<td>185,814</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>138,269</td>
<td>138,355</td>
</tr>
<tr>
<td><strong>Net Income/Loss</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>9,300</td>
<td>(6,500)</td>
</tr>
</tbody>
</table>
# Health Development & Research Institute
## FY2015 Budget

<table>
<thead>
<tr>
<th></th>
<th>Health Development</th>
<th>Research Institute</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>297,313</td>
<td>17,500</td>
<td>31,813</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td>45,070</td>
<td>12,000</td>
<td>57,070</td>
</tr>
<tr>
<td><strong>Net Income/Loss From Operations</strong></td>
<td>252,243</td>
<td>5,500</td>
<td>257,743</td>
</tr>
<tr>
<td><strong>Interest Expense</strong></td>
<td>92,687</td>
<td>0</td>
<td>92,687</td>
</tr>
<tr>
<td><strong>Net Income/Loss</strong></td>
<td>159,557</td>
<td>5,500</td>
<td>165,057</td>
</tr>
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</table>