BOARD OF DIRECTORS

REGULAR MEETING

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

6:00 p.m. dinner/6:30 p.m. meeting
Monday, August 24, 2015

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

IV(i). NEW BUSINESS


V. PRESENTATIONS

A. First 5 Healthy Development Services – Progress Report (Addendum D – Pp76-77) Cindy Linder

B. First 5 First Steps – Progress Report (Addendum E – Pp78-91) Shirin Strauss

C. Medical Director for First 5 First Steps – Byron Chow, MD Shirin Strauss

D. Update on Grants & Contracts Inventory and Proposals (Addendum F – Pp92-100) Aimee Ebner

E. Pharmacy Program Grants (Addendum G – Pp101-112) Cedric Terrell

VI. MINUTES

A. Tuesday, January 27, 2015 (Addendum H – Pp113-124)


VII. OLD BUSINESS

A. Prior Meeting Action Items

IV(ii). NEW BUSINESS (continued)

A. Resolution No. 08.24.15(11)-3 – Setting the Date, Time & Location for the Annual Organizational Meeting for Calendar Year 2015

B. Operating Budgets – Palomar Health Development and the Research Institute Kristine Roberts


ADJOURNMENT TO CLOSED SESSION

CONFERENCE WITH LEGAL COUNSEL--POTENTIAL LITIGATION Government Code §54956.9(d) (1 matter)

RESUMPTION OF OPEN SESSION

Immediately following end of closed session

Action Resulting From Closed Session Discussion – IF ANY

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
Palomar Health Development, Inc.
Resolution No. 08.24.15(09)-1
Authorizing Acceptance of the Independent Audit of Palomar Health Development, Inc.

TO: Palomar Health Development Board of Directors
MEETING DATE: Monday, August 24, 2015
FROM: Diane Hansen, 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 2014 – which will serve as the Annual Report – has been delayed for good and purposeful reasons.

The Annual Financial Report for Fiscal Year End 2014 (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


Motion:

Individual Action: X

Information:

Required Time:
RESOLUTION NO. 08.24.15(09)-1

RESOLUTION OF THE BOARD OF DIRECTORS OF PALOMAR HEALTH DEVELOPMENT, INC.
AUTHORIZING ACCEPTANCE OF THE INDEPENDENT AUDIT OF THE ANNUAL FINANCIAL REPORT OF PALOMAR HEALTH DEVELOPMENT, INC., FOR FISCAL YEAR END 2014 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 2014 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 2014 (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 March 16, 2015, 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 24, 2015, by the following vote:

AYES: ___________________________

NOES: ___________________________

ABSENT: _________________________

ABSTAINING: _____________________

DATED: August 24, 2015

APPROVED: _______________________

ATTESTED: _______________________

Dara Czerwonka, MSW, Chairperson
Board of Directors
Palomar Health Development, Inc.

Hans C. Sison, LVN, Secretary
Board of Directors
Palomar Health Development, Inc.
TO: Palomar Health Development Board of Directors

MEETING DATE: Monday, August 24, 2015

FROM: Diane Hansen, Chief Financial Officer

Background: Healthy Development Services (HDS) is a newborn home visiting program for first-time parents. Currently in its tenth 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


Motion:

Individual Action: X

Information:

Required Time:
RESOLUTION NO. 08.24.15(10)-2

RESOLUTION OF THE BOARD OF DIRECTORS OF
PALOMAR HEALTH DEVELOPMENT, INC.
AUTHORIZING ACCEPTANCE OF THE PROGRAM SPECIFIC
INDEPENDENT AUDIT OF THE ANNUAL FINANCIAL REPORT
OF THE HEALTHY DEVELOPMENT SERVICES PROGRAM
FOR FISCAL YEAR END 2014

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 2014 was conducted by AKT, LLP, of Carlsbad, California, and returned to Palomar Health Development on March 16, 2015;

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 2014 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 24, 2015, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAINING:

DATED: August 24, 2015

APPROVED: ATTESTED:

Dara Czerwonka, MSW, Chairperson
Board of Directors
Palomar Health Development, Inc.

Hans C. Sison, LVN, Secretary
Board of Directors
Palomar Health Development, Inc.
Engagement of Auditor for the Independent Audit of
the Annual Financial Report for
Palomar Health Development, Inc., for Fiscal Year End 2015

TO: Palomar Health Development Board of Directors

MEETING DATE: Monday, August 24, 2015

FROM: Diane Hansen, Chief Financial Officer

Background: AKT has conducted the audit of the annual financial report for Palomar Health Development, Inc., for the last several years, in addition to conducting the Program Specific Independent Audit of the Annual Financial Report of the Healthy Development Services Program (HDS). It was learned during FY2015 that the Program Specific Audit for HDS is no longer required.

AKT has submitted a proposal to conduct the audit of the annual financial report for Palomar Health Development, Inc., for Fiscal Year End 2015, and the attached proposal has been reviewed by the Palomar Health Legal Department (Addendum C).

Budget Impact: N/A

STAFF RECOMMENDATION: Staff recommends approval of the engagement letter submitted by AKT to conduct the audit of the annual financial report for Palomar Health Development, Inc., for Fiscal Year End 2015.

Motion: X

Individual Action:

Information:

Required Time:
Healthy Development Services Update

TO: Palomar Health Development Board

MEETING DATE: Monday, August 24, 2015

FROM: Cindy Linder, North Inland Regional Coordinator, HDS

Background: Information will be presented on updates and outcomes of the Healthy Development Services program, which is funded by the First 5 Commission of San Diego (Addendum D).

Budget Impact: None

STAFF RECOMMENDATION:

Motion:

Individual Action:

Information: X

Required Time:
TO: Palomar Health Development Board

MEETING DATE: Monday, August 24, 2015

FROM: Shirin Strauss, Program Director, First Steps
       Virginia Barragan, Department Director

Background:
In January 2012, the First 5 Commission of San Diego funded a county-wide At Risk Home Visiting Initiative of approximately $5M/year. Through a competitive grant process, Palomar Health Development was awarded a First 5 FIRST STEPS Home Visiting Grant to implement this program in North County: North Inland and North Coastal Regions. This is an annual grant for up to 5 years, with the possibility of being funded for a second five-year timeframe if funds are available. (See Addendum E).

Ninety days of training was offered county-wide beginning July 1, 2013. Family sign-ups were begun in October 2013.

Budget Impact:
1) FY13-14: $1,328,323 (includes $1,278,323 annual grant + $50,000 start-up funds)
2) Remaining 4 years at: $1,278,323 annually
   a) Total 5 years of funding: $6,441,615.

STAFF RECOMMENDATION:

Motion:

Individual Action:

Information: X

Required Time: 10 minutes
TO: Board of Directors
   Palomar Health Development, Inc.

MEETING DATE: Monday, August 24, 2015

FROM: Shirin Strauss, M.A., ICCE, IBCLC, Program Director, First 5 First Steps
      Virginia Barragan, Director, First 5 First Steps

Background: The contract agreement is for consultation (chart review) by Byron Chow, MD, as Medical Director for our Palomar Health First 5 First Steps Home Visiting Program (he is not providing direct services). Consultation includes: Chart review in person and by telephone, participation in First Steps Advisory Board and other meetings as applicable. (Dr. Chow is also the Medical Director for our First 5 funded HDS program.)

Budget Impact: First Steps has budgeted for this contractual agreement. The First 5 Commission of San Diego (our funder) has approved the use of grant funding for these consultant services. In addition, they are considering replicating this innovative, strategic utilization of a local physician as Medical Director/Consultant in all First Steps programs county-wide.

STAFF RECOMMENDATION: In accordance with the physician agreement review procedure approved in 2012, executed, budgeted, routine physician agreements are presented to the Board for approval after execution.

Motion:

Individual Action:

Information: X

Required Time:
<table>
<thead>
<tr>
<th>Section Reference</th>
<th>Term/Condition</th>
<th>Term/Condition Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>TITLE</td>
<td>Contract Agreement #9103010. First Steps Medical Director</td>
<td></td>
</tr>
<tr>
<td>AGREEMENT DATE</td>
<td>July 1, 2015 – June 30, 2016. Automatic annual renewals as applicable.</td>
<td></td>
</tr>
<tr>
<td>PARTIES</td>
<td>Palomar Health First 5 First Steps Program and Byron Chow, M.D.</td>
<td></td>
</tr>
<tr>
<td>PURPOSE</td>
<td>For his services as First Steps Medical Director (consultation only, no direct services).</td>
<td></td>
</tr>
<tr>
<td>SCOPE OF SERVICES</td>
<td>In-person or telephone consultation and chart review. Participation in First Steps Advisory Board, The North County Home Visiting Collaborative developed by First Steps, and other meetings as applicable.</td>
<td></td>
</tr>
<tr>
<td>PROCUREMENT METHOD</td>
<td>☐ Request For Proposal ☐ Discretionary</td>
<td></td>
</tr>
<tr>
<td>TERM</td>
<td>July 1, 2015 (date of contract signature) to June 30, 2016, then automatic annual renewal as applicable (July 1 – June 30).</td>
<td></td>
</tr>
<tr>
<td>RENEWAL</td>
<td>Automatic annual renewal until suspension of program (5 years of initial/current funding and probability for second 5 year term).</td>
<td></td>
</tr>
<tr>
<td>TERMINATION</td>
<td>N/A (Indefinite at this time.)</td>
<td></td>
</tr>
<tr>
<td>COMPENSATION METHODOLOGY</td>
<td>Hourly</td>
<td></td>
</tr>
<tr>
<td>BUDGETED</td>
<td>☒ YES ☐ NO – IMPACT:</td>
<td></td>
</tr>
<tr>
<td>EXCLUSIVITY</td>
<td>☒ NO ☐ YES – EXPLAIN:</td>
<td></td>
</tr>
<tr>
<td>JUSTIFICATION</td>
<td>To be sure our families are not medically too high risk for our program, to identify the need for physician referrals as applicable.</td>
<td></td>
</tr>
<tr>
<td>AGREEMENT NOTICED</td>
<td>☐ YES ☐ NO Methodology &amp; Response:</td>
<td></td>
</tr>
<tr>
<td>ALTERNATIVES/IMPACT</td>
<td>☐ Provision for Staff Education ☐ Provision for Medical Staff Education ☐ Provision for participation in Quality Improvement ☐ Provision for participation in budget process development</td>
<td></td>
</tr>
<tr>
<td>Comments</td>
<td>We are pleased to have the opportunity to work with Dr. Chow again in FY15-16 as Medical Director for First Steps. Dr. Chow is also Medical Director for our Palomar Health HDS Program.</td>
<td></td>
</tr>
<tr>
<td>APPROVALS REQUIRED</td>
<td>☐ VP ☐ CFO ☐ CEO ☐ BOD Committee ☐ BOD</td>
<td></td>
</tr>
</tbody>
</table>
TO: Palomar Health Development Board

MEETING DATE: Monday, August 24, 2015

FROM: Diane Hansen, Chief Financial Officer

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

Budget Impact: None.

STAFF RECOMMENDATION:

Motion:

Individual Action:

Information: X

Required Time:
Pharmacy Grants

TO: Palomar Health Development Board

MEETING DATE: Monday, August 24, 2015

FROM: Cedric Terrell, PharmD, MHA, AVP Clinical & Diagnostic Services

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

Budget Impact: None.

STAFF RECOMMENDATION:

Motion:

Individual Action:

Information: X

Required Time:
TO: Palomar Health Development Board

MEETING DATE: Monday, August 24, 2015

FROM: Tanya Howell, Corporate Secretary

Background: The minutes of the Annual Organizational Meeting held on Tuesday, January 27, 2015, are respectfully submitted for approval \textit{(Addendum H)}.

Budget Impact: N/A

\textbf{STAFF RECOMMENDATION:} Approval of the January 27, 2015, Annual Organizational Meeting minutes.

Motion: X

Individual Action: 

Information: 

Required Time: 13
TO: Palomar Health Development Board

MEETING DATE: Monday, August 24, 2015

FROM: Tanya Howell, Corporate Secretary

Background: The minutes of the Regular Meeting held on Monday, July 27, 2015, are respectfully submitted for approval (Addendum I).

Budget Impact: N/A

STAFF RECOMMENDATION: Approval of the July 27, 2015, Regular Meeting minutes.

Motion: X

Individual Action:

Information:

Required Time:
TO:          Palomar Health Development Board

MEETING DATE:     Monday, August 24, 2015

FROM:          Tanya Howell, Corporate Secretary

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

Budget Impact: N/A

STAFF RECOMMENDATION:

Motion:

Individual Action:

Information: X

Required Time:
• 1/27/15: Secretary Howell will ensure that the names of the appointed Board members and newly elected officers are disseminated to staff and updated on the PHD Website – **Done**

• 1/27/15: Secretary Howell is to post the Resolution setting the date, time & location for the remaining meeting for CY2015 on the PHD Website – **Done**

• 1/27/15: Secretary Howell is to ensure that the Administrative Oversight Agreement between PHD and Palomar Health is fully executed and distributed to appropriate staff – **Done**

• 1/27/15: Secretary Howell is to ensure that the appropriate paperwork to incorporate the changes regarding authorized signatories is prepared for the PHD Finance team to share with banking institutions – **Done**
TO: Palomar Health Development Board

MEETING DATE: Monday, August 24, 2015

FROM: Diane Hansen, 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 2016 shall be set at this last meeting of Calendar Year 2015.

Potential dates and times that do not conflict with currently scheduled Palomar Health Board/Board Committee meetings are at 5:00 p.m. on either Tuesday, January 5, 2016, or Wednesday, January 13, 2016. 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 both potential dates.

Budget Impact: N/A

STAFF RECOMMENDATION: Approval of Resolution No. 08.24.15(11)-3 Setting the Date, Time & Location for the Annual Organizational Meeting for Calendar Year 2016, as amended to include the date and time chosen at this evening’s meeting.

Motion:

Individual Action: X

Information:

Required Time:
RESOLUTION NO. 08.24.15(11)-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 2016

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 2016 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>TBD</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 24, 2015, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAINING:
DATED: August 24, 2015

APPROVED: Attested:

Dara Czerwonka, MSW, Chairperson
Board of Directors
Palomar Health Development, Inc.

Hans C. Sison, LVN, Secretary
Board of Directors
Palomar Health Development, Inc.
Palomar Health Development
And the Research Institute
Operating Budget Review for Fiscal Year 2016

TO: Palomar Health Development Board of Directors
MEETING DATE: Monday, August 24, 2015
FROM: Diane Hansen, Chief Financial Officer

Background: The FY2016 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 attached.

Budget Impact: None.

Committee Questions:

STAFF RECOMMENDATION: Staff recommends approval of the FY2016 Operating Budgets for Palomar Health Development and the Research Institute.

Motion: X

Individual Action:

Information:

Required Time:
Palomar Health Development, Inc. & Research Institute

FY2016 Budgets

August 24, 2015
<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>305,962</td>
<td>10,150</td>
<td>316,112</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td>38,045</td>
<td>12,000</td>
<td>50,045</td>
</tr>
<tr>
<td><strong>Net Income/Loss From Operations</strong></td>
<td>267,917</td>
<td>(1,850)</td>
<td>266,067</td>
</tr>
<tr>
<td><strong>Interest Expense</strong></td>
<td>91,700</td>
<td>0</td>
<td>91,700</td>
</tr>
<tr>
<td><strong>Net Income/Loss</strong></td>
<td>176,217</td>
<td>(1,850)</td>
<td>174,367</td>
</tr>
</tbody>
</table>
TO: Palomar Health Development Board
MEETING DATE: Monday, August 24, 2015
FROM: Diane Hansen, 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 2015 Financial Reports (Addendum J).

Budget Impact: None.

STAFF RECOMMENDATION:

Motion:

Individual Action:

Information: X

Required Time:
ADDENDUM A
Palomar Health Development, Inc.

Report to the Board of Directors

Year Ended June 30, 2014
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  AU-C 260 Communication with Those Charged with Governance 3
  Management Representation Letter 5

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  AU-C 265 Communication of No Material Weaknesses 7
  AU-C 260 Communication with 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, 2014.

Palomar Health Development, Inc.

- Our audit scope was in accordance with that communicated in our engagement letter dated September 29, 2014.
- We rendered an unmodified opinion on the June 30, 2014 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 29, 2014.
- We rendered an unmodified opinion on the statement of cash receipts and disbursements for the twelve months ended June 30, 2014.
- 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.
March 16, 2015

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, 2014, 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph 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
March 16, 2015

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, 2014, and have issued our report thereon dated March 16, 2015. 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, 2014. 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 5 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 March 16, 2015. 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
Management Representation Letter

March 16, 2015

AKT, LLP
5846 Priestly Drive, Suite 200
Carlsbad, CA 92008

This representation letter is provided in connection with your audit of the financial statements of Palomar Health Development, Inc. (the Organization), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the year’s 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 March 16, 2015, the following representations made to you during your audit.

Financial Statements

1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated September 29, 2014, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.

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 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.

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 the representation letter.

9) We agree with and have posted to our records the adjusting journal entries. A list of the adjusting journal entries is attached to the representation letter.

10) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.

11) Material concentrations have been appropriately disclosed in accordance with U.S. GAAP.

456 E. Grand Avenue, Escondido, CA 92025 Tel 760.740.6385
12) Guarantees, whether written or oral, under which the Organization is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.

Information Provided

13) 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.
   b) Additional information that you have requested from us for the purpose of the audit.
   c) Unrestricted access to persons within the Organization from whom you determined it necessary to obtain audit evidence.
   d) Minutes of the meetings of the governing board or summaries of actions of recent meetings for which minutes have not yet been prepared.

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

15) 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.

16) 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.

17) 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.

18) 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.

19) 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.

20) 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.

21) 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.

22) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us.

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

Signed: [Signature]
Name: Diane Hansen
Title: Chief Financial Officer

Signed: [Signature]
Name: Kristine Roberts
Title: Financial Services Manager
March 16, 2015

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, 2014, 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
March 16, 2015

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, 2014, and have issued our report thereon dated March 16, 2015. 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, 2014. 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 March 16, 2015. 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
Management Representation Letter—Program-specific Audit

March 16, 2015
AKT, LLP
5946 Priestly Drive, Suite 200
Carlsbad, CA 92008

This representation letter is provided in connection with your audit of the financial statement of cash receipts and disbursements of Palomar Health Development, Inc. Healthy Development Services Program (the Organization) for the year ended June 30, 2014, and the related notes, for the purpose of expressing an opinion as to whether the schedule is presented fairly, in all material respects, in accordance with the cash basis of accounting.

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 March 16, 2015, the following representations made to you during your audit.

Schedule of Expenditures of Federal Awards

1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated September 29, 2014, including our responsibility for the preparation and fair presentation of the schedule in accordance with the cash basis of accounting.

2) The schedule referred to above is fairly presented in conformity with the cash basis of accounting

3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of schedules 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) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the schedule or in the schedule of findings and questioned costs.

7) Guarantees, whether written or oral, under which the organization is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

8) 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 schedule, 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 audit.
c) Unrestricted access to persons within the organization from whom you determined it necessary to obtain audit evidence.

d) Minutes of the meetings of the board of directors or summaries of actions of recent meetings for which minutes have not yet been prepared.

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

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

11) 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 schedule.

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

13) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing the schedule.

14) 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 schedule, and we have not consulted a lawyer concerning litigation, claims, or assessments.

15) 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.

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

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

18) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us.

19) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.

20) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

21) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.

22) There are no violations or possible violations of laws, regulations, and provisions of contracts and grant agreements whose effects should be considered for disclosure in the schedule, or as a basis for recording a loss contingency, or for reporting on noncompliance.
23) With respect to Healthy Development Services Program

a) We are responsible for understanding and complying with and have complied with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

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

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

d) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for the program that provides reasonable assurance that we are managing the program in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on the program. We believe the internal control system is adequate and is functioning as intended.

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

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

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

h) We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the audit, including findings received and corrective actions taken from the end of the period covered by the audit to the date of the auditor’s report.

i) Amounts claimed or used for matching were determined in accordance with relevant guidelines in [OMB Circular A-87, Cost Principles for State, Local, and Tribal Governments, and OMB's Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments OR OMB Circular A-122, Cost Principles for Nonprofit Organizations, and Subpart C, “Cost Sharing and Matching,” OMB Circular A-110, Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations].

j) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
k) We have made available to you all documentation related to compliance with the direct material compliance requirements, including information related to the program financial reports and claims for advances and reimbursements.

l) We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.

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

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

o) The program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statement has been prepared.

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

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

r) We have taken appropriate action, including issuing management decisions, on a timely basis after receipt of subrecipients’ auditor’s reports that identified noncompliance with laws, regulations, or the provisions of contracts or grant agreements and have ensured that subrecipients have taken the appropriate and timely corrective action on findings.

s) We have considered the results of subrecipient audits and have made any necessary adjustments to our books and records.

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

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

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

Signed: [Signature]
Name: Diane Hansen
Title: Chief Financial Officer

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

**PJE #1 – 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>6,890.00</td>
<td></td>
</tr>
<tr>
<td>4215</td>
<td>InKind Donation</td>
<td></td>
<td>6,890.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>6,890.00</strong></td>
<td><strong>6,890.00</strong></td>
</tr>
</tbody>
</table>

**PJE #2 - To adjust the Marjorie Mosher Schmidt Foundation gift received in prior years from deferred revenue to temporarily 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>10,946.00</td>
<td></td>
</tr>
<tr>
<td>4260</td>
<td>Contribution Revenue</td>
<td></td>
<td>10,946.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>10,946.00</strong></td>
<td><strong>10,946.00</strong></td>
</tr>
</tbody>
</table>

**PJE #4 – To remove accrued audit fees for year ended 6/30/14.**

<table>
<thead>
<tr>
<th>Account</th>
<th>Description</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2110</td>
<td>Accrued Audit Expense</td>
<td>15,400.00</td>
<td></td>
</tr>
<tr>
<td>3010</td>
<td>Fund Balance</td>
<td></td>
<td>14,700.00</td>
</tr>
<tr>
<td>6520</td>
<td>Accounting Fees</td>
<td></td>
<td>700.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>15,400.00</strong></td>
<td><strong>15,400.00</strong></td>
</tr>
</tbody>
</table>
PALOMAR HEALTH DEVELOPMENT, INC.

Financial Statements

Years Ended June 30, 2014 and 2013
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<td>6</td>
</tr>
</tbody>
</table>
INDEPENDENT AUDITORS’ REPORT

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

We have audited the accompanying financial statements of Palomar Health Development, Inc., which comprise the financial position as of June 30, 2014 and 2013, 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, 2014 and 2013, 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.

AKT LLP

Carlsbad, California
March 16, 2015
## PALOMAR HEALTH DEVELOPMENT, INC.

### Statements of Financial Position

**June 30, 2014 and 2013**

### ASSETS

<table>
<thead>
<tr>
<th>Current Assets:</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$ 933,859</td>
<td>$ 813,778</td>
</tr>
<tr>
<td>Grants receivable</td>
<td>860,233</td>
<td>480,657</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>2,087</td>
<td>2,087</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$ 1,796,179</td>
<td>$ 1,296,522</td>
</tr>
</tbody>
</table>

### LIABILITIES AND NET DEFICIT

<table>
<thead>
<tr>
<th>Current Liabilities:</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<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>724,384</td>
<td>461,067</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>15,900</td>
<td>15,200</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>16,958</td>
<td>39,510</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>877,242</td>
<td>635,777</td>
</tr>
</tbody>
</table>

| Note Payable, net of current portion - Palomar Health | 2,719,557 | 2,745,996 |
|**Total Liabilities**                              | 3,596,799 | 3,381,773 |

<table>
<thead>
<tr>
<th>Net Deficit:</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
<td>(2,041,961)</td>
<td>(2,330,153)</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>241,341</td>
<td>244,902</td>
</tr>
<tr>
<td><strong>Total Net Deficit</strong></td>
<td>(1,800,620)</td>
<td>(2,085,251)</td>
</tr>
</tbody>
</table>

| **Total Liabilities and Net Deficit**           | $ 1,796,179| $ 1,296,522|

---

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

**Statement of Activities**  
**Year Ended June 30, 2014**

<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>$ 4,316,253</td>
<td>$</td>
<td>$ 4,316,253</td>
</tr>
<tr>
<td>Contributions</td>
<td></td>
<td>$ 90,000</td>
<td>$ 90,000</td>
</tr>
<tr>
<td>Other income</td>
<td>132</td>
<td></td>
<td>132</td>
</tr>
<tr>
<td>Net assets released from restrictions, satisfaction of program restrictions</td>
<td>93,561</td>
<td>(93,561)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Revenue and Support</strong></td>
<td>4,409,946</td>
<td>(3,561)</td>
<td>4,406,385</td>
</tr>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program services</td>
<td>3,334,648</td>
<td></td>
<td>3,334,648</td>
</tr>
<tr>
<td>General and administrative</td>
<td>787,106</td>
<td></td>
<td>787,106</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>4,121,754</td>
<td></td>
<td>4,121,754</td>
</tr>
<tr>
<td><strong>Increase (Decrease) in Net Assets</strong></td>
<td>288,192</td>
<td>(3,561)</td>
<td>284,631</td>
</tr>
<tr>
<td><strong>Net Assets (Deficit), beginning</strong></td>
<td>(2,330,153)</td>
<td>244,902</td>
<td>(2,085,251)</td>
</tr>
<tr>
<td><strong>Net Assets (Deficit), ending</strong></td>
<td>$ (2,041,961)</td>
<td>$ 241,341</td>
<td>$ (1,800,620)</td>
</tr>
</tbody>
</table>

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

**Statement of Activities**

**Year Ended June 30, 2013**

<table>
<thead>
<tr>
<th>Revenue and Support:</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract revenue</td>
<td>$ 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>
</tbody>
</table>

| Expenses:                                     |              |                       |       |
| Program services                              | 2,543,020    | -                      | 2,543,020 |
| General and administrative                    | 1,354,322    | -                      | 1,354,322 |
| **Total Expenses**                            | 3,897,342    | -                      | 3,897,342 |

| Increase (Decrease) in Net Assets             |              |                       |       |
| 100,506                                       | (89,418)     |                       | 11,088 |

| Net Assets (Deficit), beginning               | (2,430,659)  | 334,320                | (2,096,339) |

| Net Assets (Deficit), ending                  | $ (2,330,153) | $ 244,902              | $ (2,085,251) |

See accompanying notes to financial statements.
Palomar Health Development, Inc.

Statements of Cash Flows

Years Ended June 30, 2014 and 2013

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</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>$284,631</td>
<td>$11,088</td>
</tr>
<tr>
<td>Adjustments to reconcile increase in net assets deficit to net cash provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>-</td>
<td>345</td>
</tr>
<tr>
<td>Note payable discount - Palomar Health</td>
<td>93,561</td>
<td>94,418</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants receivable</td>
<td>(379,576)</td>
<td>223,324</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>-</td>
<td>53</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>263,317</td>
<td>(121,265)</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>700</td>
<td>(23,067)</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>(22,552)</td>
<td>(96,672)</td>
</tr>
<tr>
<td>Net Cash Provided by Operating Activities</td>
<td>240,081</td>
<td>88,224</td>
</tr>
</tbody>
</table>

| Cash Flows from Financing Activities: |        |        |
| Payments on note payable - Palomar Health | (120,000) | (120,007) |
| Net (Decrease) Increase in Cash       | 120,081 | (31,783) |

Cash, beginning $813,778 $845,561
Cash, ending $933,859 $813,778

Supplemental disclosure of noncash financing activities:

Interest relieved from restrictions as contribution $93,561 $94,418

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, 2014 and 2013.

Grants Receivable
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.

Revenue Recognition
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.

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.

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.
Note 1 - Organization and Summary of Significant Accounting Policies, continued

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, 2014 and 2013, 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, 2014 and 2013, 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 2011 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 March 16, 2015, which is the date the financial statements were available to be issued.

Note 2 - 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, 2014, the Organization’s total uninsured cash balance was $685,705 ($588,676 at June 30, 2013).

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 49% and 55% of the Organization’s contract revenue for the years ended June 30, 2014 and 2013, and 47% and 94% of the Organization’s grants receivable at June 30, 2014 and 2013, respectively. The Program has been extended for the third incremental term beginning July 1, 2013 and ending June 30, 2014.

In June 2013, the Organization and the First 5 Commission of San Diego (Commission) entered into an agreement to provide targeted home visiting initiative services. The initial agreement is for a one year term, from July 1, 2013 to June, 30, 2014, with the option to extend for one year. The Healthy Development Services Program (Program), funded by the Commission, provided 26% of the Organization’s contract revenue for the year ended June 30, 2014 and 28% of the Organization’s grants receivable at June 30, 2014.

Economic Dependency
The Organization is economically dependent on PH.
Note 3 - Net Assets

At June 30, 2014 and 2013, temporarily restricted net assets were primarily available for interest on the note payable to PH. During the year ended June 30, 2014 the Organization received two temporarily restricted contributions for a total of $90,000; $40,000 for training of a resident and $50,000 to analyze infusion device alarms and develop a set of best practices, which remain temporarily restricted at June 30, 2014. At June 30, 2014 and 2013, $5,000 was also 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>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest on note payable to Palomar Health</td>
<td>$93,561</td>
<td>$94,418</td>
</tr>
</tbody>
</table>

Note 4 - Related Party Transactions

Purchases
The Organization reimburses PH for all payroll services provided as well as other expenses. At June 30, 2014 and 2013, the amount due to PH included in accounts payable was $513,500 and $339,786, respectively.

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 $93,561 and $94,418 is reported in the statement of activities for the year ended June 30, 2014 and 2013, 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>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>2015</td>
</tr>
<tr>
<td>2016</td>
</tr>
<tr>
<td>2017</td>
</tr>
<tr>
<td>Less unamortized discount</td>
</tr>
<tr>
<td>Less current portion</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>
Note 4 - Related Party Transactions, continued

Operating Lease
The Organization leases office space and clinical support services on the Palomar Health Campus and rents the office space from PH (a related party). The initial lease terms with Palomar Health were from 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 $44,678 and $20,032 for the years ended June 30, 2014 and 2013, respectively.
ADDENDUM B
Palomar Health Development, Inc.
Healthy Development Services Program

Program Specific Audit Statement

Twelve Months Ended June 30, 2014
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Program Specific Audit Statement:

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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 ........................................ 5
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, 2014.

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, 2014, 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.

AKT LLP

Carlsbad, California
March 16, 2015
### Statement of Cash Receipts and Disbursements

**Twelve Months Ended June 30, 2014**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Cash</td>
<td>$ 371</td>
</tr>
<tr>
<td><strong>Additions:</strong></td>
<td></td>
</tr>
<tr>
<td>Program receipts</td>
<td>2,199,551</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>1,340,260</td>
</tr>
<tr>
<td><strong>Services and Supplies:</strong></td>
<td></td>
</tr>
<tr>
<td>Purchased services</td>
<td>554,679</td>
</tr>
<tr>
<td>Equipment rental and minor equipment</td>
<td>35,458</td>
</tr>
<tr>
<td>Supplies and subscriptions</td>
<td>21,345</td>
</tr>
<tr>
<td>Rent, building and utilities</td>
<td>18,900</td>
</tr>
<tr>
<td>Service facilitation funds</td>
<td>5,640</td>
</tr>
<tr>
<td>Mileage and travel</td>
<td>5,185</td>
</tr>
<tr>
<td>Outside training</td>
<td>5,096</td>
</tr>
<tr>
<td>Phone and answering service</td>
<td>4,081</td>
</tr>
<tr>
<td>Volunteer incentives</td>
<td>4,077</td>
</tr>
<tr>
<td>Provider engagement</td>
<td>923</td>
</tr>
<tr>
<td>Repair and maintenance</td>
<td>793</td>
</tr>
<tr>
<td>Conferences</td>
<td>345</td>
</tr>
<tr>
<td><strong>Total Deductions</strong></td>
<td>2,199,553</td>
</tr>
<tr>
<td><strong>Ending Cash</strong></td>
<td>$ 369</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 01, 2013 to June 30, 2014.

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 March 16, 2015, 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, 2014 and have issued our report thereon dated March 16, 2015.

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 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 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be 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.

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 Program’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 Program’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

AKT LLP

Carlsbad, California
March 16, 2015
ADDENDUM C
Palomar Health Development

Pre-Audit Meeting with Board

August 24, 2015
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<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
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</tr>
<tr>
<td>OUR RESPONSIBILITY</td>
<td>1</td>
</tr>
<tr>
<td>PLANNED SCOPE</td>
<td>2</td>
</tr>
<tr>
<td>INDEPENDENCE</td>
<td>2</td>
</tr>
<tr>
<td>SERVICE TEAM</td>
<td>2</td>
</tr>
<tr>
<td>SERVICE TIMELINE</td>
<td>3</td>
</tr>
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<td>SIGNIFICANT AUDIT AREAS</td>
<td>3</td>
</tr>
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<td>SUMMARY OF FEES</td>
<td>4</td>
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<tr>
<td>PROFESSIONAL AND REGULATORY CHANGES</td>
<td>5</td>
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<tr>
<td>APPENDIX:</td>
<td></td>
</tr>
<tr>
<td>EXHIBIT 1 – ENGAGEMENT LETTER</td>
<td></td>
</tr>
<tr>
<td>EXHIBIT 2 – PEER REVIEW OPINION</td>
<td></td>
</tr>
</tbody>
</table>
SERVICES REQUESTED

- Audit and report on Palomar Health Development’s financial statements as of June 30, 2015.
- Management letters commenting upon internal controls, including any findings, observations, or recommendations or any other material matter that may come to our attention during the audit.
- Board communication letters, identifying significant accounting policies, management judgments and accounting estimates, audit adjustments and other matters discussed during the audit.
- Meetings with the Board prior to and in conclusion of the audit, and at other times, as deemed appropriate.
- Preparation of federal and state information returns and meeting with the Board to review the informational returns.

OUR RESPONSIBILITY

Our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we will consider Palomar Health Development’s internal control over financial reporting in order to determine our auditing procedures for the purposes of expressing our opinion on the financial statements and not to provide assurance on the internal controls over financial reporting.
PLANNED SCOPE

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

Our audit will include obtaining an understanding of the Organization and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the Organization. We will communicate our significant findings at the conclusion of the audit.

INDEPENDENCE

AKT ensures that it meets professional standards in maintaining independence with respect to its clients. AKT and all of its partners, managers, and professional staff are required to follow the independence rules of the American Institute of Certified Public Accountants and the California State Board of Accountancy. We will report to you any relationships between San Diego Hebrew Homes and Affiliate and Seacrest Foundation and our firm that may reasonably impair our independence.

We are not aware of any existing relationships that could create independence issues and prevent us from signing an unqualified audit opinion.

SERVICE TEAM

AKT uses a client service team to bring a broad range of competencies to our engagements. We will assign a client service team that will lead our services and the additional staff needed for your requirements. The client service team will include:

- Ron Mitchell, Partner – Responsible for all client services
- Elsa Romero, Partner – Responsible for tax services
- Jessica Strouth, Senior Manager – Responsible for audit services and day-to-day activities
- Debi Smith, Senior Manager – Responsible for tax services on a day-to-day basis

All members will be actively involved and available for the duration of the assigned services, and 2-3 additional staff members will be assigned and more available if needed. All staff has experience with not-for-profit organizations. Should there be any management staff changes we will discuss them with you prior to implementation.
SERVICE TIMELINE

We will work with management to determine a detailed timeline for our audit procedures. Our general timing is as follows:

- Pre-audit meeting with the Board and management to develop a work plan, including discussion of the audit plan – August 24, 2015
- Fieldwork – October 26 – October 30, 2015
- Complete fieldwork – November 2015
- Presentation to the Board of draft financial statements and letters presenting audit results – TBD
- Delivery of final financial statements and audit reports – November/December 2015
- Federal and informational returns – December 2015

SIGNIFICANT AUDIT AREAS

We will focus our audit efforts on the following significant areas (as applicable):

- Existence of accounts receivable
- Completeness of liabilities
- Debt
- Net assets
- Revenue recognition
- Expense allocation
**SUMMARY OF FEES**

<table>
<thead>
<tr>
<th>Service</th>
<th>Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit and report on the financial statements</td>
<td>$9,200</td>
</tr>
<tr>
<td>Presentation of audit plans and results to the Board</td>
<td>-</td>
</tr>
<tr>
<td>Auditors’ recommendations for improvements in efficiencies and internal controls</td>
<td>-</td>
</tr>
<tr>
<td>Attendance at Board meetings, as requested</td>
<td>-</td>
</tr>
<tr>
<td>Preparation of federal and state informational returns</td>
<td>$1,500</td>
</tr>
</tbody>
</table>

In addition, the above estimate is based upon the presumption that the books and records will be in good condition and that accounting and finance staff will provide assistance to us throughout the audit. Fees for other services not listed above would generally be at our standard, prevailing rates, subject to the approval by the Organization prior to commencing the work.
The following items relate to changes throughout the not-for-profit environment for the benefit of the Board and management, though they do not necessarily relate to Palomar Health Development directly.

**Exposure Draft of proposed changes to Topic 958 in the FASB Codification** – On April 22, 2015 the FASB issued an exposure draft of proposed changes to the Not-for-Profit guidance in Topic 958 of the Accounting Standards. All of the items listed below are proposed changes and there is not implementation date yet available. The FASB added a project to its agenda to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity’s liquidity, financial performance, and cash flows. The FASB’s Not-for-Profit Advisory Committee (NAC) and other stakeholders indicated that existing standards for financial statements of not-for-profit entities (NFPs) are sound but could be improved to provide better information to donors, creditors, and other users of financial statements.

The proposed amendments are intended to address several issues about the current financial reporting for NFPs, which, among others, include the following:

1. Complexities about the use of the currently required three classes of net assets that focus on the absence or presence of donor-imposed restrictions and whether those restrictions are temporary or permanent. Deficiencies in the utility of information provided to donors, creditors, and others in assessing an entity’s liquidity caused by potential misunderstandings and confusion about how restrictions or limits imposed by donors, laws, contracts, and governing boards affect an entity’s liquidity, classes of net assets, performance, and related terminology, particularly the term unrestricted net assets.

2. Inconsistencies in the reporting (or lack of reporting) of intermediate measures of operations in the statement of activities, including inconsistencies between that reporting and the reporting of operating cash flows in the statement of cash flows. Those inconsistencies cause difficulties in communicating and assessing an entity’s financial performance.

3. Inconsistencies in the type of information provided about expenses of the period—for example, some, but not all, NFPs provide information about operating expenses by both function and nature.

4. Misunderstandings about and opportunities to enhance the utility of the statement of cash flows, particularly about the reporting of operating cash flows.

The main provisions would require an NFP to do the following:

1. Report only two classes of Net Assets, donor restricted and unrestricted, as well as the currently required amount for total net assets.

2. Present on the face of the statement of activities two additional amounts (subtotals) of the operating activities that are associated with changes in net assets without donor restrictions. These amounts would reflect operating activities for the period, which would be distinguished from other activities on the basis of whether the resource inflows and outflows are from or directed at carrying out an NFP’s purpose for existence and available for current-period operating activities.
3. Direct method for reporting change in operating cash flows.

4. Change in classification of certain cash flow items:
   a. Cash flows resulting from (1) purchases of long-lived assets, (2) contributions restricted to acquire long-lived assets, and (3) sales of long-lived assets as operating instead of investing.
   b. Cash flows resulting from payments of interest on borrowings as financing instead of operating cash flows.
   c. Cash flows resulting from receipts of interest and dividends on loans and investments other than those made for programmatic purposes as investing rather than operating.

5. Provide enhanced disclosures about the following:
   a. Governing board designations, appropriations, and similar transfers that result in the addition or removal of self-imposed limits on the use of resources without donor-imposed restrictions.
   b. Composition of net assets with donor restrictions at the end of the period and how the restrictions affect the use of resources.
   c. Management of liquidity and quantitative information as of the reporting date about financial assets available to meet near-term demands for cash, including demands resulting from near-term financial liabilities.
   d. Expenses, including amounts for operating expenses by both their nature and function. That information could be provided on the face of the statement of activities, as a separate statement, or in notes to financial statements.
   e. Method(s) used to allocate costs among program and support functions.
   f. Underwater endowment funds: In addition to disclosing the currently required aggregate amount by which funds are underwater, an NFP would be required to disclose the aggregate of the original gift amounts (or level required by donor or law) for such funds and any governing board policies or decisions to spend or not spend from such funds. In addition, an NFP would classify the amount by which the endowment is underwater in net assets with donor restrictions rather than in the current unrestricted net asset category.

6. Use the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset, thus eliminating the option to release the donor-imposed restriction over the estimated useful life of the acquired asset.

EXHIBIT 1 –

ENGAGEMENT LETTER
July 21, 2015
To Diane Hansen, CFO
Palomar Health Development, Inc.
456 E. Grand Avenue
Escondido, CA 92025

We are pleased to confirm our understanding of the services we are to provide for Palomar Health Development, Inc. (Organization) for the year ended June 30, 2015.

We will audit the financial statements of Palomar Health Development, Inc., which comprise the statement of financial position as of June 30, 2015, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Audit Objective

The objective of our audit is the expression of an opinion about whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of your accounting records and other procedures we consider necessary to enable us to express such an opinion. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or add an emphasis-of-matter or other-matter paragraph. If our opinion is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or to issue a report as a result of this engagement.

Audit Procedures

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of receivables and certain assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will also request written representations from the Organization’s attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. 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 will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Organization or to acts by management or employees acting on behalf of the Organization.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.
Our audit will include obtaining an understanding of the Organization and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit, we will communicate to you and those charged with governance internal control related matters that are required to be communicated under professional standards.

We may from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

Other Services

We will prepare the Organization’s federal and state information returns for the year ended June 30, 2015, based on information provided by you. We will also assist in preparing the financial statements of the Organization in conformity with U.S. generally accepted accounting principles based on information provided by you.

We will perform the services in accordance with applicable professional standards, including the Statements on Standards for Tax Services issued by the American Institute of Certified Public Accountants. The other services are limited to the financial statement and tax services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities. We will advise management with regard to tax positions taken in the preparation of the tax return, but management must make all decisions with regard to those matters.

Management Responsibilities

You are responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the preparation and fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles. You are also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the organization from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the Organization involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the Organization received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring the Organization complies with applicable laws and regulations.

You are responsible for the preparation of the supplementary information in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon.
You agree to assume all management responsibilities for the tax services, financial statement preparation services, and any other nonattest services we provide; oversee the services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

**Non-attest Services**

In the process of performing the audit engagement, we may perform non-attest services, such as preparing tax returns, depreciation schedules, performing certain computations, and preparing proposed journal entries. Our professional standards require us to document that you understand and accept your responsibilities for such services:

- You are responsible for all management decisions and functions;
- You have designated a competent employee to be responsible and accountable for overseeing such services;
- You will evaluate the adequacy of and accept responsibility for the results of such services; and
- You are responsible for establishing and maintaining internal controls, including monitoring ongoing activities.

**Engagement Administration, Fees, and Other**

We understand that your employees will prepare all cash, accounts receivable, and other confirmations we request and will locate any documents selected by us for testing.

Ron Mitchell is the partner in charge of client services and Jessica Strouth is the engagement senior manager and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

We estimate that our fees for these services will be $9,200 for the audit and $1,500 for the tax return preparation. The fee includes travel and other out-of-pocket costs such as report production, word processing, postage, etc. The fee estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the engagement. To the extent that certain circumstances, as listed in Appendix I, arise during the engagement, our fee estimate may be affected significantly and additional fees may be necessary. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 30 days or more overdue and will not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign and return it to us.

Very truly yours,

[AKT LLP]

RESPONSE:

This letter correctly sets forth the understanding of Palomar Health Development, Inc.

Management signature: ________________________
Title: _______________________________________
Date: _______________________________________

Appendix I
The fees quoted for the audit are based on certain assumptions. Circumstances may arise during the engagement that may significantly affect the targeted completion dates and our fee estimate. As a result, additional fees may be necessary. Such circumstances include but are not limited to the following:

Changes to the timing of the engagement at the Organization’s request. Changes to the timing of the engagement usually require reassignment of personnel used by AKT in the performance of services hereunder. However, because it is often difficult to reassign individuals to other engagements, AKT may incur significant unanticipated costs.

All audit schedules are not (a) provided by the Organization on the date requested, (b) completed in a format acceptable to AKT, (c) mathematically correct, or (d) in agreement with the appropriate Organization records (e.g., general ledger accounts). AKT will provide the Organization with a separate listing of required schedules, information requests, and the dates such items are needed.

Significant delays in responding to our requests for information such as reconciling variances or providing requested supporting documentation (e.g., invoices, contracts, and other documents).

Deterioration in the quality of the Organization’s accounting records during the current-year engagement in comparison with the prior-year engagement.

Electronic files in an appropriate format and containing the information requested are not provided by the Organization on the date requested for our use in performing file interrogation. AKT will provide the Organization with a separate listing of the required files and the dates the files are needed.

The engagement team, while performing work on the Organization’s premises, is not provided with high-speed access to the Internet via the Organization’s existing network or through a TI, DSL, or cable connection for purposes of conducting the engagement.

Significant deficiencies or material weaknesses in the design or operating effectiveness of the Organization’s internal control over financial reporting are identified during our audit that result in the expansion of our audit procedures.

A significant level of proposed audit adjustments is identified during our audit.

Significant new accounting issues.

Significant changes in accounting policies or practices from those used in prior years.

Significant changes or transactions not contemplated in our budgets.

Significant changes in the Organization’s financial reporting process or Information Technology (IT) systems.

Significant changes in the Organization’s accounting personnel, their responsibilities, or their availability.

Significant changes in auditing standards.

Changes in audit scope caused by events that are beyond our control.

(Continued)
EXHIBIT 2 –

PEER REVIEW OPINION
System Review Report

August 21, 2014

To the Partners of
AKT, LLP
and the Peer Review Committee of the Oregon Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of AKT, LLP (the firm) in effect for the year ended April 30, 2014. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As part of our peer review, we considered reviews by regulatory agencies, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm’s compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under Government Auditing Standards, audits of employee benefit plans, and an examination of a service organization (Service Organizations Control [SOC] 1 engagement).

In our opinion, the system of quality control for the accounting and auditing practice of AKT, LLP in effect for the year ended April 30, 2014, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of pass, pass with deficiency(ies) or fail. AKT, LLP has received a peer review rating of pass.

[Signature]
Heinold Banwart, Ltd.
ADDENDUM D
Healthy Development Services (HDS)

Developmental and Behavioral Services for Children 0-5 years with Mild to Moderate Delays

• FY15 Services Summary
  – Received over 1,100 Referrals for Services
  – 70% Initiated Services
    • Care Coordination
    • Parent Workshops
    • Developmental Screening, Assessment & Treatment
    • Behavior Screening, Assessment & Treatment

• FY16 Services Overview
  – Palomar Health Retains Core HDS Services Under Contract Amendment
  – Palomar Health Expands & Centralizes Behavior Services
  – Vision & Hearing Screenings at Early Childcare Education Sites Eliminated
  – Palomar Health Implements Weekly HDS Services at HHSA Site in Fallbrook
  – Sensory Gym Support From Palomar Health Foundation
    • $3,500 Grant Received from San Marcos Community Foundation
    • $1,000 Donation Received from Jules & Perla Fox

• Satisfaction Survey
  – “For me as a mom it helped me a lot to know how to help my daughters in their development. They have been getting better and the treatment was exceptional”
  – “I really liked the lessons because I learned tips to help my son to develop language and the classes were very pleasant”

• Future Focus – Integration, Parent Engagement, and Sustainability!

cynthia.linder@palomarhealth.org
ADDENDUM E
Palomar Health
North County
First 5 FIRST STEPS
Home Visiting Program
(Serving North Inland and North Coastal Regions)
Palomar Health Leadership

- Sheila Brown, RN, MBA, FACHE
  Executive Team: Vice President Continuum Care

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

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

- First 5 FIRST STEPS is a county-wide grant-funded Initiative 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 services to enhance positive birth outcomes, strengthen child and family relationships, promote positive parenting, track child development, and build family self-sufficiency
- All services are FREE for families
Introduction

• In North Inland & North Coastal regions, two of the most pressing needs are adequate prenatal care and child abuse prevention

• The First 5 FIRST STEPS Program provides targeted at risk home visiting services to address these needs

• Palomar Health awarded grant funding as the North County Lead (for 5 years)

• Program started July 1, 2013 county-wide
Grant Funding

- Year One - FY13-14: $1,328,323
  ($1,278,323 annual grant + $50,000 start-up)
- Remaining 4 years at: $1,278,323 annually
- Total 5 years of funding granted, through FY17-18 (FY13-18): $6,441,615
- Fiscal years 18-19 and 19-20 are to be determined in upcoming few years.
Regions and Partners

- Palomar Health is the lead for the North Region. We provide services to eligible families residing in all 43 zip codes in North Inland and North Coastal Regions of San Diego County.
  - Medical Director
    - Byron Chow, M.D.
  - Partnering Organizations (provides First Steps services)
    - Home Start
    - Vista Community Clinic
  - External Program Evaluation
    - Susan Hedges Consulting
Target Populations

- Who We Serve
  - Low-Income Families (< 200% Federal Poverty Level)
  - Teens (ages 13-21yrs.)
  - Immigrants/Refugees
  - Military Families

- Services are available for all expectant mothers (does not need to be a first time mom)
Services We Provide

• **Home Visits**
  - Mom’s 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

• **Parent Meetings**
  - Parent Education Workshops and Family Celebrations
  - Play Groups and Children’s Museum Passes
  - Socialization Opportunities
  - Community Resources

• **Home Visitors**
  - Non-medical model
  - Eleven (11) Health Educators with extensive experience and education working with families and young children (over 480 hours of training with us before receiving a case load of families)
  - 100% Bilingual staff
Developmental Holiday Event 2014
Curriculum: Parents as Teachers

- Health
- Nutrition
- Safety
- Sleep
- Bonding and Attachment
- Positive Parenting
- Development
- Age Appropriate Play
- Transitions and Routines
- Food and Housing
Expected Outcomes

Implementing Two Nationally Recognized, Evidence-Based Models: Healthy Families America (HFA) and Parents As Teachers (PAT) (and we collect data on these performance measures)

- 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
- Increase Positive Parenting Skills and Enhance Parent Knowledge About The Growth and Development of Their Child
- Nurture Healthy Parent-Child Relationships and Age appropriate, Healthy Development
- Link Families to Local Resources and Services
Accomplishments

First Year Service Accomplishments (FY13-14)

- 120 families enrolled in North Region
- 30 days after enrollment
  - 98.1% of children and 97% of mothers were linked to a medical home
  - 84% of mothers were breastfeeding
  - 95.7% of children were up-to-date in their immunizations

Second Year Service Accomplishments (FY14-15)

- 150 families enrolled in North Region
- Over 2,080 home visits provided
  (more data available soon)

Parent Feedback

“I love the program! The parenting information has really helped me with my children. And the support and resources are always just what we need.”

“You guys are amazing. You have helped me and my family in so many big and little ways!!”
More Information

- **Referrals:** Prenatally (enrollment occurs during pregnancy)
- **Eligibility Criteria:** Family in target population, not enrolled in or eligible for County NFP or MCH Programs, and lives in N. County S.D. (N. Inland or N. Coastal Regions – zip codes listed on back of Referral Form)
- **FAX Referral Form and Release of Information Form to Palomar Health FIRST STEPS Program: 760-739-2835** (we will call the family to assess interest and eligibility)

For more information, contact:
Front Desk: 760-739-3261

Or

Brenda Ansell, Program Supervisor
760-739-2682
Brenda.ansell@palomarhealth.org

Shirin Strauss, Program Director
760-739-3990
Shirin.strauss@palomarhealth.org

firststepssd.com
ADDENDUM F
Grant Update

August 24, 2015
## Current Grants

<table>
<thead>
<tr>
<th>TITLE</th>
<th>GRANTOR</th>
<th>Purpose</th>
<th>Awarded</th>
<th>FY16 Funds Receivable</th>
<th>Beg/End Date</th>
<th>Updates</th>
</tr>
</thead>
</table>
| First 5 First Steps          | First 5 Commission   | 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. | $3,884,969 (FY14–FY16) | $1,278,323            | 07/01/13-06/30/20                  | *$1,448,859 invoiced in FY15  
* $93,575 overhead budget for FY16 |
| Healthy Development Services (HDS) | First 5 Commission | To serve as lead agency for the North Inland Region to provide integrated care and treatment services that address the health, developmental and behavioral needs of children ages birth through 5 years | $11,906,966 (FY11–FY16) | $1,940,625            | 07/01/10-06/30/20                  | *$2,119,571 invoiced in FY15  
* funding decreased by $214,686 in FY16  
* $212,947 overhead budget for FY16 |
## Current Grants

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<th>FY16 Funds Receivable</th>
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<th>Updates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Schwartz Center Rounds</td>
<td>The Schwartz Center for Compassionate Healthcare</td>
<td>To promote compassionate healthcare through the conduction of Schwartz Center Rounds educational forums and programs.</td>
<td>$5,000</td>
<td>0</td>
<td>7/1/2013 – N/A</td>
<td>*PHD reimbursed PH $1,756 for expenses associated with conducting Schwartz Rounds in FY14</td>
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<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td>*No activity in FY15</td>
</tr>
<tr>
<td>Green Oaks Ranch</td>
<td>New Alternatives, Inc.</td>
<td>Provides an intake center for assessment and placement of abused, neglected, and/or abandoned children taken into immediate protective custody by Law Enforcement Officers and/or Health &amp; Human Services Agency Social Workers.</td>
<td>$863,500</td>
<td>$157,000</td>
<td>1/1/15-12/31/15</td>
<td>*$160,412 invoiced in FY15</td>
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<td></td>
<td></td>
<td></td>
<td>$157,000</td>
<td></td>
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<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</td>
<td>$75,148</td>
<td>5/25/05-6/30/18</td>
<td>*FY16 contract has been submitted</td>
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<tr>
<td></td>
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<td>*$195,471 currently remains in fund</td>
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<tr>
<td>National Children's Alliance (NCA)</td>
<td>National Children's Alliance (NCA)</td>
<td>Having met standards set for Child Advocacy Centers, PH is an accredited member of the NCA. As a member of the NCA, PH receives a grant of $9,000 annually to provide continued support for the cost of a bilingual interviewer in PH's Child Abuse Program.</td>
<td>$9,000 Annually</td>
<td>$9,000</td>
<td>1/1/04-N/A</td>
<td>*FY16 award letter received 5/30/2015</td>
</tr>
<tr>
<td>Marjorie Mosher Schmidt Foundation - Child Abuse Program</td>
<td>Marjorie Mosher Schmidt Foundation</td>
<td>To provide funds for Nurse education as well as forensic imaging equipment.</td>
<td>$27,000</td>
<td>$0</td>
<td>12/14/09-N/A</td>
<td>*$13,564 remains in fund</td>
</tr>
<tr>
<td>In-n-Out - Child Abuse Program</td>
<td>In-N-Out Child Abuse Foundation</td>
<td>To provide funding for SART/Child Abuse Program community education and bilingual interviewing at the center. Funds to be used to provide follow-up with families and children who have been through counseling.</td>
<td>$31,500</td>
<td>TBD</td>
<td>N/A</td>
<td>*Received $7,500 in December 2014</td>
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<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>
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<td></td>
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<td></td>
<td></td>
<td>*$12,379 spent to date</td>
</tr>
<tr>
<td>Keck Pharmacy Resident grant</td>
<td>Keck Graduate Institute of Pharmacy</td>
<td>To provide the opportunity for Palomar Health Residents to participate in teaching Pharmacy students.</td>
<td>$55,000 per year</td>
<td>$55,000</td>
<td>4/1/14-8/31/18</td>
<td>*Program began 7/1/14 and will be invoiced on a quarterly basis</td>
</tr>
<tr>
<td></td>
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<td></td>
<td></td>
<td>*$55,000 invoiced in FY15</td>
</tr>
</tbody>
</table>
# Expired Grants

<table>
<thead>
<tr>
<th>TITLE</th>
<th>GRANTOR</th>
<th>Purpose</th>
<th>Awarded</th>
<th>FY16 Funds Receivable</th>
<th>Beg/End Date</th>
<th>Updates</th>
</tr>
</thead>
</table>
| Federal Asset Forfeiture Funds      | District Attorney of the County of San Diego        | To reimburse grantee for a forensic video recording system and software to support the interview of victims and the analysis of data related to cases of child molestation, physical abuse and neglect. | $15,000 | $0                    | 7/1/14-1/31/15         | *Award notice received 4/15/14  
*$14,544.86 was received on 2/4/15 to reimburse purchase of video recording system and software. |
| Neighborhood Reinvestment Program I | County of San Diego Board of Supervisors            | To purchase equipment for the SART program                              | $10,714 | $0                    | 4/15/14-5/15/15       | *Funds utilized in full for purchase of 6 desktop computers and a new exam table           |
| Neighborhood Reinvestment Program II| County of San Diego Board of Supervisors            | 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. | $13,500 | $0                    | 4/15/14-5/15/15       | *Funds utilized in full for purchase of SDFI TeleMedicine system                           |
## Expired Grants

<table>
<thead>
<tr>
<th>TITLE</th>
<th>GRANTOR</th>
<th>Purpose</th>
<th>Awarded</th>
<th>FY16 Funds Receivable</th>
<th>Beg/End Date</th>
<th>Updates</th>
</tr>
</thead>
<tbody>
<tr>
<td>MAA (Medical Administrative Activities)</td>
<td>County of San Diego Health &amp; Human Services Agency</td>
<td>Medi-Cal Administrative Activities (MAA) is a government program available to PH to recover some of the administrative costs associated with providing Medi-Cal services.</td>
<td>Approx. $275,000 Annually</td>
<td>0</td>
<td>Ended 6/30/2013</td>
<td>*FY13 Q4 payment of $74,846 received March 2015 ($63,619 to PH &amp; $11,227 to PHD)</td>
</tr>
<tr>
<td>Pharmacy Residency Expansion Grant (PEG) Program</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 *funds fully expended May 2015</td>
</tr>
</tbody>
</table>
## Non-Funded Grants

<table>
<thead>
<tr>
<th>TITLE</th>
<th>GRANTOR</th>
<th>Purpose</th>
<th>Potential Award Amount</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transforming Obesity &amp; Diabetes Awareness in Youth (TODAY) Program</td>
<td>Humana</td>
<td>Provides education and support to low-income families of fourth grade students who are identified as being at risk for obesity and diabetes.</td>
<td>$74,956</td>
<td>* Grant application submitted Dec. 2014</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>* Denial notice received in March 2015</td>
</tr>
</tbody>
</table>
ADDENDUM G
Palomar Health
Pharmacy Services
FY15 Research & Educational Program Summary

Cedric A. Terrell, Pharm.D, MHA
AVP Clinical & Diagnostic Services

Jeremy Lee, Pharm.D, BCPS
District Director, Pharmacy Services
CareFusion Clinical Excellence Grant

Infusion Device Alarm Management Performance Improvement Project

Prepared by Diana Schultz, Medication Safety Manager
Grant Description

- $50,000 one time grant awarded to Palomar Health for the Infusion Device Alarm Management Performance Improvement Project.
- The project’s proposal is 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 process to reduce unnecessary infusion alarms.
- Funds have been used for nursing education and for the administrative resident’s project time.
Time Line

Pre-intervention Nursing Survey 7/14

Interventions-setting changes 11/14

Intervention-anti-siphon valve 2/15 @ POM, 7/15 @ PMC

Data Analysis from pumps post intervention 7/15-10/15

Data analysis from pumps pre intervention 9/14 (Data 3/14 thru 7/14)

Intervention-education 10-11/14 at Pomthen 2nd qtr.2015 Districtwide

Post intervention Nursing Survey 7/15
Preliminary Results for Air In Line Alarms for Drugs with Anti-Siphon Valve during post period.

Pre Period: **03/20/2014** to **05/18/2014**  
Post Period: **02/01/2015** to **03/31/2015**

<table>
<thead>
<tr>
<th></th>
<th>Total ALL Alarms per Infusion - Pre vs. Post Comparison</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pre- # of ALL Alarms per Infusion</td>
</tr>
<tr>
<td><strong>Amiodarone</strong></td>
<td>0.638</td>
</tr>
<tr>
<td>Critical Care</td>
<td></td>
</tr>
<tr>
<td>TPN</td>
<td>1.778</td>
</tr>
<tr>
<td>General</td>
<td></td>
</tr>
<tr>
<td><strong>Amiodarone</strong></td>
<td>0.538</td>
</tr>
<tr>
<td>IMC-Tele</td>
<td></td>
</tr>
</tbody>
</table>

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ASHP Research and Education Foundation
Pharmacy Residency Expansion Grant (PEG) Program

Advancing Pharmacy Practice through Residency Training

Prepared by Jennifer Floyd, Pharmacy Education Specialist
Description

• The overarching goal of the ASHP Foundation Pharmacy Residency Expansion Grant program is to expand the number of hospital/health-system based PGY1 positions for the 2014-2015 training year.

• $40,000 was granted to fund a PGY1 position
Keck Graduate Institute (KGI) School of Pharmacy

- Partnership established in March of 2014
- PH Pharmacy PGY2 Transitions of Care Residency received funding of $55,000
- Faculty positions in Transitions of Care and Ambulatory Care were created
PH Pharmacy Residency Program

• Expanded from 2 to 5 PGY1 residents and 2 PGY2 residents (Transitions of Care and Health System Administration)

• Palomar Health is getting positive return on investment: ROI>~200%

• Residents are making essential contributions towards strategic initiatives
<table>
<thead>
<tr>
<th>Expenses</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Salaries and Wages</td>
<td>$(358,670.40)</td>
</tr>
<tr>
<td>Benefits</td>
<td>$(36,055.20)</td>
</tr>
<tr>
<td>Residency Recruitment and conferences Expenses (includes UOP reimbursement $5605.28 and education Fund $1625)</td>
<td>$(17,974.60)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Revenue</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated Medicare reimbursement for PGY1 program</td>
<td>$114,203.85</td>
</tr>
<tr>
<td>ASHP Foundation Grant</td>
<td>$40,000.00</td>
</tr>
<tr>
<td>AMR study</td>
<td>$1,236.00</td>
</tr>
<tr>
<td>KGI Funding</td>
<td>$52,000.00</td>
</tr>
<tr>
<td>Staff Contributions (direct scheduled staff shifts covered)</td>
<td>$71,760.00</td>
</tr>
</tbody>
</table>

| Direct Cost (Revenue - Expenses)             | $(133,500.35) |

<table>
<thead>
<tr>
<th>Indirect Contribution</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Offset Staff Contributions (specialist time)</td>
<td>$421,710</td>
</tr>
<tr>
<td>Direct cost savings from projects</td>
<td>$865,000</td>
</tr>
</tbody>
</table>

| Total Indirect Contributions                 | $1,153,209.65 |
| Total Contributions - Direct Cost            | $1,019,709.30 |
Summary

• Through grant funded research Palomar Health will provide health systems with a set of best practices for medication storage and preparation, pump settings and infusion administration processes to reduce unnecessary infusion alarms.

• The Palomar Health Pharmacy Practice Educational Program brings value to our district through clinical and operational efficiencies, supply cost savings, and quality improvement.
ADDENDUM H
## 2015 ATTENDANCE ROSTER
### BOARD OF DIRECTORS

<table>
<thead>
<tr>
<th>MEMBERS</th>
<th>MEETING DATES</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1/27/15</td>
</tr>
<tr>
<td>Dara Czerwonka, MSW – Chair</td>
<td>P</td>
</tr>
<tr>
<td>Jeff Griffith, EMT-P – Vice Chair</td>
<td>P</td>
</tr>
<tr>
<td>Hans Sison, LVN – Secretary</td>
<td>P</td>
</tr>
<tr>
<td>Bob Hemker</td>
<td>P</td>
</tr>
<tr>
<td>Diane Hansen, CPA – Treasurer</td>
<td>P</td>
</tr>
<tr>
<td><strong>Guest Presenters</strong>¹</td>
<td></td>
</tr>
</tbody>
</table>

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

¹ See text of minutes for names of invited guests/presenters
I. CALL TO ORDER

- Chairperson Dara Czerwonka called the meeting to order at 5:00 p.m. She then introduced herself and requested that the others in attendance introduce themselves.
- Quorum comprised of Directors Czerwonka, Griffith, Hansen, Hemker and Sison.
- Notice of Meeting and Full Agenda Packet were posted at PH’s Administrative Offices and on the Palomar Health Development, Inc. (PHD) home page on the PH web site on Tuesday, January 20, 2015, which is consistent with legal requirements. Notice of that posting was also made via email to the Board and staff members.

II. PUBLIC COMMENTS

- There were no public comments.

III. INFORMATION ITEMS

- none

IV. PRESENTATIONS

A. Healthy Development Services (HDS)  

<table>
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<th>Information Only</th>
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</table>

Utilizing the presentation included in the agenda packet as Addendum A, Cindy Linder, North Inland Regional Coordinator for HDS, stated that her presentation would provide a brief update on the program, but her contact information is included therein, and she can always be contacted for more info after the meeting.

- First 5 is a tobacco tax funded initiative.
- $240M in state funds are divided among 58 counties within the state.
  - On average, San Diego County gets $29M.
  - HDS is the second largest initiative.
  - PH also has an at-risk home visiting program (First 5 First Steps) that is also among the largest initiatives.
    1) A report on that program will be made at the second PHD Board meeting later this year.
- In the last 12 years, funding from First 5 totaling more than $20M has enabled the program to reach over 40K families.
AGENDA ITEM

• We are in the last year of a 5-year contract term, but we will have an extension for at least 1 year
  o First 5 has a strategic plan, and HDS is part of that plan, but they haven’t yet allocated funding for the next 5 years
• HDS North Inland Services chart (Page 29)
  o We are the coordinating program and ensure that services provided through our network work together and that families have access
  o Care coordination is the gateway for screening for eligibility
    - Not all applicants are a good fit for the program, but our team helps those who don’t fit find appropriate services in the community
  o Parent education helps the parent of infants, toddlers and preschoolers
  o Developmental services for children 0-5 years
    -Annually, 12-16% of all children in the U.S. will have developmental problems
    -If those problems are not recognized and treated before the children enter school, progress is slower and less effective
  o Behavior classes and coaching is a part of the program that started a year ago, and they have recruited behavioral specialists for this purpose
  o Subcontracts are for vision and hearing, as well as for behavior therapy
• Race/Ethnicity Demographic is compared to SANDAG (San Diego Association of Governments) (Page 30)
  o Larger Hispanic population is served because that population is more at risk
  o 70% of the children served are less than 3 years of age
  o Our population has shown an increase in use of the English language
  o In response to an inquiry regarding whether the program participants are screened based on socio-economic breakdown, Ms. Linder stated that the target is for at least 70% of services for the most at-risk families, derived by using priority zip codes; however, there is no economic phase-out to the program, so anyone who applies and qualifies can access the services
• Performance Measures for FY14 (Page 31)
  o We are required to provide target measures based on the amount of funds received
    - Last year we exceeded our targets
    - Each year we streamline as we don’t get an allocation of funds each year
  o The 2014-15 contract raised targets by 10% across the board
• Developmental Outcomes (Page 32)
  o The County now has information to see if there is a gain in terms of progress, and 96% of our children made a gain
    - HELP is the Hawaii Early Learning Profile, which is used to determine a child’s developmental age vs. their chronological age
        - Our program does HELP at the beginning and at the end of service provision
  o Developmental Trajectories (Page 33)
    o We are now also reviewing developmental trajectories
    o For those children who made exceptional gains, we review their cases to see what we did right
    o For those with less than exceptional gains, we review their cases to determine what more could have been done
<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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<tr>
<td>o Chart explanation</td>
<td></td>
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<tr>
<td>– Blue Line: A typical trajectory for a child without need of services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Red Line: The anticipated end trajectory for a child who pretested at a developmental age lower than chronological, but didn’t get any services</td>
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<tr>
<td>– Green Line: The anticipated end trajectory for a child who pretested at a developmental age lower than chronological, but did receive services</td>
<td></td>
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<tr>
<td>1) Developmental age is much closer to their chronological age</td>
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<tr>
<td>o Part of the cognitive skills training involves coaching parents to help with the skills, using a lot of repetition</td>
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<tr>
<td>o They don’t do longitudinal data, but should be able to do so in the future now that they are reviewing trajectories</td>
<td></td>
<td></td>
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<tr>
<td>• Behavioral Outcomes (Page 34)</td>
<td></td>
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<tr>
<td>o 98% of the children made a gain, based on the Child Behavioral Check List (CBCL)</td>
<td></td>
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<tr>
<td>o Only 92% of the parents made a gain, based on the Parent Stress Index-Short Form (PSI-SF)</td>
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<tr>
<td>– Don’t see as much of a gain with parents, as they get stressed at treatment</td>
<td></td>
<td></td>
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<tr>
<td>• Service Excellence (Page 35)</td>
<td></td>
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<tr>
<td>o Although HDS doesn’t actually participate in the Press Ganey surveys, we do survey our families with questions that mirror that survey</td>
<td></td>
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<tr>
<td>– Last year scores were in the 80s, and they haven’t dropped below the 90s this year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>o 80% of the surveys have comments (Page 36)</td>
<td></td>
<td></td>
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<tr>
<td>• Can’t separate development from socio-emotional, so they are working hard to integrate those services together</td>
<td></td>
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<tr>
<td>• Director Griffith asked how they, as Board members, could help</td>
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</tr>
<tr>
<td>o The program is so well-connected to EUSD, identifying the child and handing them off to the school district, they have gone from a 40% acceptance rate at the schools to 98%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>o Any opportunities you might have to speak at public meetings or to County officials to promote the program would be appreciated</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– The County loves the fact that the District supports this program</td>
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<tr>
<td>• Anyone can request access to the program, and no physician orders are required</td>
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<tr>
<td>o It is also not a fee for service program, but they do try to help clients access services through their insurance when available</td>
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<tr>
<td>• 80% of the referrals come from physicians and clinics</td>
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<tr>
<td>• Director Hemker commented that First 5 has changed their focus, and the group has adapted to their new thinking and modified our program accordingly, reinventing ourselves time and again to meet First 5’s expectations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Ms. Linder also added a word of thanks to Aimee &amp; Kristine for managing the financial aspects of the program, because it gets audited not only by First 5, but we are required to do a separate audit by an outside auditing firm</td>
<td></td>
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</tr>
<tr>
<td>• There is always a potential there will be less funding, with the State’s financial situation, but the only way the funding can change is to go back to the voters</td>
<td></td>
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</tr>
<tr>
<td>o It has been on the ballot twice, but changes to the program were voted down both times</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Ms. Linder provided the Board and attendees with flyers on HDS (Attachment 1), as well as gifts of 2015 calendars from First 5</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## B. Report of the Investigational Review Committee (IRC)

Information Only

Utilizing the presentation included in the agenda packet as Addendum B, Melissa Rouse, PhD, RN, CNS-BC, Director of Nursing Practice & Research, provided an update on recent activity by the IRC, noting that they just started reporting out at the last meeting and she loves to share their outcomes.

- **The Investigational Review Committee (IRC) is focused on human subjects protection, striving to ensure that studies present no danger to patients/staff**
- **Research Studies** *(Page 39)*
  - There are 27 open and active studies at this time
  - List of those conducting the studies is on the slide
  - Western Governors is an online program being used by many of the nursing students
  - Organizational Development has also jumped on board, conducting research on the APPL nurse-physician dyads
  - Although not yet listed, FANS is also interested in doing a study
- **Evidence-Based Practice (EBP)/Quality Improvement (QI) Projects** *(Page 40)*
  - Reviewing to ensure that information being disseminated is "blessed" before doing so
  - There is an EBP fellowship available for nurses across the district
  - They can apply, learn the EBP process, and then present at a symposium
  - Case Management, nurses and bedside nurses are all working on projects
- All projects report to Melissa, and there are 16 more coming soon

## C. Update on Grants & Contracts Inventory & Proposals

Information Only

Utilizing an updated presentation *(Attachment 2)*, staff member Aimee Ebner provided an update, and she was joined by Catherine McLennan, Supervising Forensic Social Worker, who provided more detail when discussing the SART Program *(only select comments not in the presentation are recorded here)*

- **CURRENT GRANTS**
  - Bioterrorism/Emergency Preparedness
    - There was a 30% cut in federal funding as it is based on licensed beds, and the closure of PCCC decreased that number
  - First 5 Commission
    - Both First 5 First Steps and HDS are anticipated to be funded in FY16
  - MAA
    - Funds—originally provided to cover the administrative costs of providing Medi-Cal services, are being phased out
    - The County implemented a perpetual time survey in FY14, which simply required too much time from our staff, which didn't work for our District, and we opted out
    - The last quarter of FY13 was just invoiced, and those will be the last funds we are eligible to receive under the old survey system
  - Schwartz Rounds
    - Program was on hiatus as they lost their physician lead, but they now have a two-physician team to lead the program so it is again underway
Green Oaks Ranch
- Ms. McLennan stated that this is a contract that we have had for over 10 years, in which we provide nurse practitioner with experience in child abuse for foster care intake
  1) General medical pediatric exam that is required either for children who are being moved from one foster care situation to another, or are making their initial foray into foster care
- She noted that the program is extremely attached to Lorrie York, Nurse Practitioner SART, and they want to continue to work with her

National Children’s Alliance (NCA)/Marjorie Mosher Schmidt Foundation (MMS)/In-N-Out
- These three are also SART/CAP related grants
- Ms. McLennan does not anticipate renewal of the MMS grant
  1) Specifically allocated for nursing education, but we haven’t had the opportunity to utilize the funds
    a) Unsure whether a renewal of the grant would be available, as they are hesitant to apply again until we’ve used the original funds

CareFusion/Pharmacy Residency Expansion Grant (PEG)/Keck Pharmacy Resident Grant
- All are pharmacy grants
- Preliminary training regarding the infusion alarms [grant from CareFusion] has been conducted at POM, and a more robust training has been developed based on that model that will soon be implemented at PMC

Federal Asset Forfeiture Funds/Neighborhood Reinvestment Program (NRP) I & II
- All three are also SART program grants
- NRP I for general equipment came from County Supervisor Dave Roberts’ office
- NRP II for the SDFI TeleMedicine camera system came from County Supervisor Bill Horn’s office

Neither of the grants for which we applied during this period were funded
- Notices that we had not won the awards were vague and didn’t provide any details as to why we’d lost
  - It was rumored that the entire $30K from UCSD was awarded to an internal candidate
    1) That agency generally does favor internal applicants, however, we were unable to confirm the total amount granted

We don’t have a designated grant writer
- The program manager who is interested in applying for a particular grant generally gathers the information, completes the application, and submits it
  1) PHD provides fiscal information as needed to aid in application submission
  2) Melissa Rouse noted that they are creating templates that contain commonly requested demographic information, and that Kim Cardoso, Director of Major Giving at the Palomar Health Foundation, is always available to help with the application process
- Having a grant writer would probably increase our win vs. loss ratio
- Director Hemker discussed the history of PHD, noting that when the corporation was fully staffed, we did have a grant writer on staff
  1) That position was eliminated around the same time as the restructuring that eliminated all PHD staff
    a) The challenge for that particular position was paying a full-time grant writer to chase grants that had slim chances of being awarded to PHD
**DISCUSSION**

- **PENDING GRANT**
  - An application was submitted to Humana in December 2014 for a potential award of $75K
    - Would fund a Transforming Obesity & Diabetes Awareness in Youth (TODAY) Program
    - Award determination is scheduled to occur in April or May of this year

---

**V. MINUTES* – Regular Meeting, Monday, August 4, 2014**

*MOTION: By Director Hemker, seconded by Director dh and carried to approve the minutes of the Regular Meeting of Monday, August 4, 2014. All in favor. None

- No discussion

---

**VI. OLD BUSINESS**

- **A. PRIOR MEETING ACTION ITEMS**
  - Information Only

  Secretary Howell noted that the follow-up information had been inserted on the listing, found on page 7 of the packet – no further discussion

---

**VII. NEW BUSINESS***

- **A. Resolution No. 01.27.15(01)-1 – Acknowledging Appointment of the New Board and Confirming Election of the Officers of the Board for Calendar Year 2015**

  *MOTION: By Director Sison, seconded by Director Hemker and carried to elect Director Griffith as Vice-Chair

  *MOTION: By Director Czerwonka, seconded by Director Hansen and carried to elect Director Sison as Secretary

  *MOTION: By Director Hemker, seconded by Director Griffith and carried to elect Director Hansen as Treasurer

  *MOTION: By Director Griffith, seconded by Director Hansen to approve Resolution No. 01.27.15(01)-1 – Acknowledging Appointment of the New Board and Confirming Election of the Officers of the Board for Calendar Year 2015, after insertion of the newly elected officers. Carried by the following vote, taken by roll call: Czerwonka, Griffith, Hansen, Hemker and Sison.

  Director Hemker stated that the appointments had all been made by the PH Board, and that body had also named Director Czerwonka Chair; however, the remaining officer positions of Vice-Chair, Secretary and Treasurer needed to be made

  - Chairperson Czerwonka opened the floor for nominations

- **B. Resolution No. 01.27.15(02)-2 – Authorizing the Adoption of Bylaw Changes**

  *MOTION: By Director Hemker, seconded by Director Hansen to approve Resolution No. 01.27.15(02)-2 – Authorizing the Adoption of Bylaw Changes as recommended. Carried by the following vote, taken by roll call: Czerwonka, Griffith, Hansen, Hemker and Sison.

  - Director Hemker noted that the recommended changes were outlined in the packet – no further discussion
<table>
<thead>
<tr>
<th>C. Resolution No. 01.27.15(03)-3 – Confirming Appointment of Corporate Officers for Calendar Year 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>MOTION: By Director Hemker, seconded by Director Hansen and carried to re-appoint the current slate of officers (Bob Hemker, President; Diane Hansen, Chief Financial Officer; Tanya Howell, Secretary).</td>
</tr>
<tr>
<td>MOTION: By Director Hemker, seconded by Director Hansen to approve Resolution No. 01.27.15(03)-3 – Confirming Appointment of Corporate Officers for Calendar Year 2015, after the names of the newly appointed officers had been inserted. Carried by the following vote, taken by roll call: Czerwonka, Griffith, Hansen, Hemker and Sison.</td>
</tr>
<tr>
<td>Noting that the current slate of officers of PHD, were also officers and an employee of PH, Chairperson Czerwonka asked if there was any conflict of interest, perceived or otherwise, that would preclude officers or employees of PH from being officers of PHD</td>
</tr>
<tr>
<td>Director Hemker stated that as PH was the sole member of the corporation and officers did not receive salaries from PHD, there was nothing from which to infer a conflict</td>
</tr>
<tr>
<td>Janine Sarti, General Counsel for PH, concurred</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>D. Resolution No. 01.27.15(04)-4 – Setting the Date, Time &amp; Location for the Remaining Regular Meeting for Calendar Year 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>MOTION: By Director Hemker, seconded by Director Griffith to approve Resolution No. 01.27.15(04)-4 – Setting the Date, Time &amp; Location for the Remaining Regular Meeting for Calendar Year 2015, after it had been edited to include the date, time and location of Monday, July 27, 2015, at 5:00 p.m., in the 1st Floor Conference Room at the PH Administration Building, 456 E. Grand Avenue Escondido, California. Carried by the following vote, taken by roll call: Czerwonka, Griffith, Hansen, Hemker and Sison.</td>
</tr>
<tr>
<td>Secretary Howell is to post the final, signed Resolution on the PHD page of the PH web site</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>E. YTD Financial Report</th>
</tr>
</thead>
<tbody>
<tr>
<td>MOTION: By Director Hansen, seconded by Director Griffith and carried to approve the December 2014 and YTD FY2015 Financial Report as presented. All in favor. None opposed.</td>
</tr>
<tr>
<td>PALOMAR HEALTH DEVELOPMENT</td>
</tr>
<tr>
<td>o REVENUE</td>
</tr>
<tr>
<td>- Positive variance of $3,753 vs. budget</td>
</tr>
<tr>
<td>- This is indirect revenue from grants for PHD, not monies from the grants themselves</td>
</tr>
<tr>
<td>1) Fluctuates based on salaries that have so far been expensed</td>
</tr>
</tbody>
</table>
(I.A) AGENDA ITEM

• DISCUSSION

<table>
<thead>
<tr>
<th>CONCLUSIONS/ACTION</th>
<th>FOLLOW-UP/RESP PARTY</th>
</tr>
</thead>
</table>
| EXPENSES
  - Negative variance of $2,327 vs. budget
    1) $2K for unbudgeted administrative oversight
    2) $450 for a server
|                     |
| NET INCOME/LOSS
  - $1,426 positive variance vs. budget
|                     |

• RESEARCH INSTITUTE (RI)

  - The only budgeted revenues are for protocol and research study fees in the amount of $17,500 for the entire year
  - RI is a conduit, with funding for the research studies coming in as revenue, then going back out to pay the costs associated therewith

| REVENUE
  - Positive variance vs. budget of $331,120 |
| EXPENSES
  - The only budgeted expense is a $6K administrative oversight fee
  - Negative variance vs. budget of $335,120, which is the offset of the positive revenue variance |
| NET INCOME/LOSS
  - $4K negative variance vs. budget |

• HISTORICAL FINANCIAL TREND

  - From FY2006 through FY2009, expenses for PHD were always higher than revenues
    - It was in FY2009 that a decision was made to eliminate PHD staff, a decision which brought the FY2010 expenses below revenues
    - Ms. Roberts distributed a slide (Attachment 3) that separates the RI & HD revenues vs. expenses
      1) Flat/consistent trend for PHD is shown more clearly
      2) Trend for RI shows a marked fluctuation, especially in FY2012 and FY2013

• INDIRECT REVENUE

  - Most of the grants don’t provide indirect revenues
  - We can take a lesser percentage of indirect if we feel it will improve our opportunity for being awarded a specific grant
  - When the final funding from MAA is received, indirect revenues will all be from the First 5 Foundation grants
  - Actual amounts from indirect revenues are $11,227 for MAA; just over $100.3K for HDS; and $40.8K for First Steps

F. Administrative Oversight for Palomar Health Development

MOTION: By Director Hemker, seconded by Director Griffith and carried to approve the Management Services Agreement between Palomar Health and Palomar Health Development, Inc., retroactive to the previous agreement’s expiration date of August 1, 2014. All in favor. None opposed.

• Secretary Howell is to ensure that the agreement is fully executed and distributed to appropriate PH and PHD staff
### (I.A) AGENDA ITEM

<table>
<thead>
<tr>
<th>DISCUSSION</th>
<th>CONCLUSIONS/ACTION</th>
<th>FOLLOW-UP/RESP PARTY</th>
</tr>
</thead>
</table>
| ● This agreement provides $2K for the services of PH staff on behalf of PHD, and $1K for the services of PH staff for oversight of the Research Institute’s programs and studies  
  ○ The only change to the current agreement is a request that it become evergreen to avoid future retroactive approvals, since the dates of the Board meetings and the term of the contract do not coincide  
  ○ In the past, the staff of PH were encouraged to charge more based on actual time spent, but the amount was reduced during the current contract period after further review  
    – Should a future review reveal a need to change the amount of compensation, an appropriate recommended amendment will be brought to the Board’s attention for review and approval | | |

### G. Medical Directorship for First 5 First Steps Home Visiting Program – Byron Chow, MD

**MOTION:** By Director Hansen, seconded by Director Griffith and carried to approve the budgeted, routine, executed Medical Directorship Agreement for the First 5 First Steps Home Visiting Program between Palomar Health Development, Inc., and Byron Chow, M.D. All in favor. None opposed.

- The medical directorship is a requirement for the program and replicates the other service area

### H. Resolution No. 01.27.15(05)-5 – Naming Authorized Signatories for Banking Accounts & Setting Signature Authority Limits

**MOTION:** By Director Griffith, seconded by Director Sison to approve Resolution No. 01.27.15(05)-5 – Naming Authorized Signatories for Banking Accounts & Setting Signature Authority Limits. Carried by the following vote, taken by roll call: Czerwonka, Griffith, Hansen, Hemker and Sison.

- Secretary Howell is to ensure that the appropriate paperwork to incorporate the changes is prepared for the PHD Finance team to share with banking institutions

- Director Hemker stated that the changes were being requested as the signatories were authorized by title, not by name, and the title of Tim Nguyen had been changed from Corporate Controller to VP Revenue Cycle
  ○ Chairperson Czerwonka again inquired if there might be either a conflict of interest or the appearance of impropriety in having an officer of PH controlling the checkbook of PHD
  ○ Director Hemker stated that neither conflict of interest nor appearance of impropriety had ever been raised as a controls question in any of the internal audits, also noting that PHD is consolidated into the financials of PH, so the matter has also been reviewed with no issues raised during external audits
  ○ Internal Audit Officer Tom Boyle concurred with Director Hemker’s statements

### VIII. BOARD MEMBER COMMENTS/FUTURE AGENDA ITEMS

- Director Hemker stated that there are presentations scheduled for the next meeting that will cover the First 5 First Steps Home Visiting Program and the Pharmacy Grants
- Director Hemker also reminded the Board that this is a formal Board, not just a Board committee, so there are no alternates
- Chairperson Czerwonka thanked the Board and the staff for making this, her first meeting as Chairperson, a relatively painless process
IX. ADJOURNMENT

The meeting was adjourned by Chairperson Czerwonka at 6:21 p.m.

SIGNATURES:

PHD Board Chair: Dara Czerwonka, MSW
Board Assistant: Tanya Howell

Next Meeting: Regular Meeting – Monday, July 27, 2015, 5:00 p.m., 1st Floor Conf Room, 456 E. Grand Avenue, Escondido, CA
ADDENDUM I
### 2015 ATTENDANCE ROSTER

#### BOARD OF DIRECTORS

<table>
<thead>
<tr>
<th>MEMBERS</th>
<th>MEETING DATES</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1/27/15</td>
</tr>
<tr>
<td>Dara Czerwonka, MSW – Chair</td>
<td>P</td>
</tr>
<tr>
<td>Jeff Griffith, EMT-P – Vice Chair</td>
<td>P</td>
</tr>
<tr>
<td>Hans Sison, LVN – Secretary</td>
<td>P</td>
</tr>
<tr>
<td>Bob Hemker</td>
<td>P</td>
</tr>
<tr>
<td>Diane Hansen, CPA – Treasurer</td>
<td>P</td>
</tr>
</tbody>
</table>

**Guest Presenters**:

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

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1 See text of minutes for names of invited guests/presenters
### BOARD OF DIRECTORS – MEETING MINUTES – MONDAY, JULY 27, 2015

#### I. CALL TO ORDER

- **Notice of Meeting** and **Full Agenda Packet** were posted at Palomar Health’s (PH) Administrative Offices and on the Palomar Health Development, Inc. (PHD) home page on the PH web site on Wednesday, July 22, 2015, which is consistent with legal requirements. Notice of that posting was also made via email to the Board and staff members.

- In the absence of Chairperson Dara Czerwonka, Acting Chair and CFO Diane Hansen called the meeting—held in the First Floor Conference Room at 456 E. Grand Avenue, Escondido, CA—to order at 5:00 p.m.

- The roll was called by Secretary Tanya Howell
  - As only she and Ms. Howell were present, Acting Chair Hansen cancelled the meeting due to lack of quorum
  - The meeting will be rescheduled to a later date

- Ms. Hansen requested that Ms. Howell publish a notice regarding the cancellation of the meeting
  - A notice was created and posted on the conference room door, on both exterior doors of the building, in the notice box outside the building, and on the PHD home page on the PH web site

#### IX. ADJOURNMENT

The meeting was adjourned by Acting Chair Diane Hansen at 5:05 p.m.

### SIGNATURES:

<table>
<thead>
<tr>
<th>Acting PHD Board Chair</th>
<th>Board Assistant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diane Hansen, CFO</td>
<td>Tanya Howell</td>
</tr>
</tbody>
</table>

**Next Meeting:** TBD
ADDENDUM J
### FISCAL YEAR 2015
#### JUNE 2015 - Income Statement Summary

<table>
<thead>
<tr>
<th></th>
<th>Health Development</th>
<th>Research Institute</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>YTD Actual</td>
<td>298,290</td>
<td>437,550</td>
</tr>
<tr>
<td>YTD Budget</td>
<td>297,313</td>
<td>17,500</td>
</tr>
<tr>
<td>Budget Variance YTD</td>
<td>977</td>
<td>420,050</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>YTD Actual</td>
<td>139,645</td>
<td>444,000</td>
</tr>
<tr>
<td>YTD Budget</td>
<td>137,757</td>
<td>12,000</td>
</tr>
<tr>
<td>Budget Variance YTD</td>
<td>(1,889)</td>
<td>(432,000)</td>
</tr>
<tr>
<td></td>
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<td></td>
</tr>
<tr>
<td><strong>Net Income/Loss</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>YTD Actual</td>
<td>158,645</td>
<td>(6,450)</td>
</tr>
<tr>
<td>YTD Budget</td>
<td>159,556</td>
<td>5,500</td>
</tr>
<tr>
<td>Budget Variance YTD</td>
<td>(911)</td>
<td>(11,950)</td>
</tr>
</tbody>
</table>
Health Development & Research Institute
Financial Trend FY 2006-2015

HD Revenue
HD Expense
RI Revenue
RI Expense