

**Special**  
**Palomar Health Development, Inc.**  
**Audit Committee Meeting**  
**Meeting Agenda**  
Wednesday, December 10, 2025  
3:00 p.m.

**Please See Page 2 For Meeting Location Options**

	<i>The Board may take action on any of the items listed below, including items specifically labeled "Informational Only"</i>	Time	Form A Page	Target
<b>Call To Order</b>				<b>3:00</b>
<b>I.</b>	<b>Public Comments<sup>1</sup></b>	30		3:31
<b>II.</b>	<b>Action Items(s) (ADD A)</b>	30		
	a. Audit Committee Meeting Minutes, November 11, 2024 (Pp 4-6)			
	b. Audited Financial Statements – FYE June 30, 2025 (Pp 7-26)			
	c. Election of Palomar Health Development Audit Committee Chair and Vice Chair			
<b>Final Adjournment</b>				<b>4:01</b>

**Palomar Health Development, Inc.**  
**Audit Committee of the Board of Directors**

Linda Greer, Chair

Abbi Jahaaski, MSN, BSN, RN

Note: If you need special assistance to participate in the meeting,  
please call 760.740.6375, 72 hours prior to the meeting so that we may provide reasonable accommodations.

<sup>1</sup> 3 minutes allowed per speaker. For further details, see Request for Public Comment Process and Policy on page 3 of the agenda.

## Audit Committee Meeting Location Options

**Linda Greer Conference Room**  
**2125 Citracado Parkway, Suite 300, Escondido, CA 92029**

- Palomar Health Development, Inc. Board Members, who are also elected members of the Palomar Health Board of Directors will attend at this location, unless otherwise noticed below
- Elected members of the Palomar Health Board of Directors who are not members of the Palomar Health Development, Inc. Board may attend as members of the public
- Non-Board member attendees, and members of the public may also attend at this location
- Non-Board member attendees, and members of the public may also attend the meeting virtually utilizing the above link

<https://www.microsoft.com/en-us/microsoft-teams/join-a-meeting?rtc=1>

Meeting ID: 275 352 108 550 2

Passcode: cr6ag3b2

or

Dial in using your phone at 929.352.2216; Access Code: 844 714 00#<sup>1</sup>

- 4002 Vista Way, Oceanside, CA. 92056

- An elected member of the Board of Directors will be attending the meeting virtually from these locations

<sup>1</sup> New to Microsoft Teams? Get the app now and be ready when your first meeting starts: [Download Teams](#)

# ADDENDUM A

# Meeting Minutes

ATTENDANCE ROSTER	
MEMBERS	MEETING DATE
	11/28/24
Linda C. Greer, RN, Chairperson	P
Laura Barry, Director	P
Staff Attendee	
Tanya Howell, Secretary	P
Guest Presenters <sup>1</sup>	

P = Present E = Excused V = Virtual

---

<sup>1</sup> See text of minutes for names of invited guests/presenters

## HEALTH DEVELOPMENT AUDIT COMMITTEE – SPECIAL MEETING MINUTES – MONDAY, NOVEMBER 18, 2024

### AGENDA ITEM

#### • DISCUSSION

#### CONCLUSIONS/ACTIONS

#### FOLLOW-UP/ RESP PARTY

### I. CALL TO ORDER

- The **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 website on Wednesday, November 13, 2024, which is consistent with legal requirements. Notice of that posting was also made that date via email to the Board and staff members.
- Quorum comprised of Directors Greer and Barry
- Chairperson Greer called the meeting to order at 1:00 p.m.

### II. PUBLIC COMMENTS

- There were no public comments

### III. INFORMATION ITEMS

- None

### IV. OLD BUSINESS

- None

### V. MINUTES

#### A. Minutes, Tuesday, November 27, 2023

**MOTION:** By Director Greer, without a second, and carried to approve the minutes from the Tuesday, November 27, 2023, meeting  
Vote taken by roll call vote: Chairperson Greer – aye; Director Barry – recused herself

- Mrs. Howell stated that she had discussed with counsel the matter of only having two members on the Committee, one of whom was not a member at the last meeting
  - It was determined that only one member of a two-member committee comprised a quorum, so it was acceptable for Director Barry to recuse herself from this vote

### VII. PRESENTATIONS *(Taken out of agenda order)*

#### A. Audited Financial Statements – FYE June 30, 2024

**MOTION:** By Director Greer, seconded by Director Barry and carried to recommend approval of the Audited Financial Statements – FYE June 30, 2024  
Vote taken by roll call vote: Chairperson Greer – aye; Director Barry – aye

- Andy Maffia of the accounting firm Aldrich CPAs + Advisors LLP, introduced himself and stated that he would be reviewing the FYE 6/30/2024 audit results. After the presentation, Mr. Maffia reiterated that the auditors were rendering an unmodified opinion, there had been no issues related to internal

HEALTH DEVELOPMENT AUDIT COMMITTEE – SPECIAL MEETING MINUTES – MONDAY, NOVEMBER 18, 2024			
AGENDA ITEM			
• DISCUSSION		CONCLUSIONS/ACTIONS	FOLLOW-UP/ RESP PARTY
controls, no journal entries, and the auditing team had received the complete cooperation of management; and he congratulated everyone involved in the process on having received an extremely clean audit report			
VI. NEW BUSINESS			
A. Election of a Chairperson and a Vice-Chairperson of the Audit Committee		MOTION: By Director Barry to nominate Director Greer as Chairperson of the Committee, seconded by Director Greer  Vote taken by roll call vote: Director Greer – aye; Director Barry – aye	
• After some discussion, it was determined that the only action necessary was a nomination for Chairperson, followed by a second to that, and a vote; then the other member of the committee automatically became the Vice-Chairperson			
VIII. AUDIT COMMITTEE COMMENTS/FUTURE AGENDA ITEMS			
• All comments by the members of the Committee were made during the presentation			
IX. ADJOURNMENT			
• The meeting was adjourned by Chair Greer at 1:33 p.m.			
SIGNATURES:			
PHD Board Audit Committee Chair		PHD Board Audit Committee Assistant	Carla Albright for Tanya Howell
Next Meeting: TBD based on the scheduled date of commencement of the FYE June 30, 2025, audit			

# Palomar Health Development, Inc.

REPORT TO THE BOARD OF DIRECTORS

Year Ended June 30, 2025

DRAFT

**PALOMAR HEALTH DEVELOPMENT, INC.**

**Report to the Board of Directors**

Year Ended June 30, 2025

---

**Table of Contents**

	Page
Executive Summary	1
Communication of Internal Control-Related Matters	2
Communication with Those Charged with Governance	3
Management Representation Letter	5

DRAFT



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 audit of Palomar Health Development, Inc. (the Organization) for the year ended June 30, 2025.

### SIGNIFICANT CONCLUSIONS AND ISSUES

We have completed our audit and will issue our report, dated **REPORT DATE - TBD**. Based on our work performed:

- Our audit scope was in accordance with our engagement letter dated August 5, 2025.
- We rendered an unmodified opinion on the June 30, 2025 financial statements.
- We did not identify conditions which we consider to be material weaknesses or significant deficiencies 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 Organization 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.

**REPORT DATE - TBD**

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. (the Organization) as of and for the year ended June 30, 2025, 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 audit procedures that are appropriate in the circumstances 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization'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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not yet 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.

Sincerely,

*Aldrich CPAs + Advisors LLP*

San Diego, California

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

We have audited the financial statements of Palomar Health Development, Inc. (the Organization) as of and for the year ended June 30, 2025, and have issued our report thereon dated **REPORT DATE - TBD**. 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. We have communicated such information in our letter to you dated August 5, 2025. Professional standards also require that we communicate to you the following information related to our audit.

## **Significant Audit Matters**

### 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 2025. 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 estimates affecting the financial statements were:

Management's estimate of the functional expense allocations, timing of recognition of reimbursable grant revenue, classification of additions and releases of restricted net assets, and imputed interest expense and amortization of discount on interest free note payable. We evaluated the key factors and assumptions used by management to develop the estimates in determining that the estimates and judgments are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements are described in Note 3 and Note 4 to the financial statements.

The disclosures in the financial statements are neutral, consistent, and clear.

### 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 misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no such misstatements identified for the year ended June 30, 2025.

### Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's 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 **REPORT DATE - TBD**.

#### 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’s 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.

Sincerely,

*Aldrich CPAs + Advisors LLP*

San Diego, California  
**REPORT DATE - TBD**

# Palomar Health Development, Inc.

## FINANCIAL STATEMENTS

Years Ended June 30, 2025 and 2024

DRAFT

# **PALOMAR HEALTH DEVELOPMENT, INC.**

## **Financial Statements**

Years Ended June 30, 2025 and 2024

---

### **Table of Contents**

	Page
Independent Auditor's Report	1
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	6
Statements of Cash Flows	8
Notes to Financial Statements	9

DRAFT

## INDEPENDENT AUDITOR'S REPORT

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

### Opinion

We have audited the accompanying financial statements of Palomar Health Development, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Palomar Health Development, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Palomar Health Development, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

## INDEPENDENT AUDITOR'S REPORT, CONTINUED

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Palomar Health Development, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Palomar Health Development, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Aldrich CPAs + Advisors LLP*

San Diego, California

REPORT DATE - TBD



**PALOMAR HEALTH DEVELOPMENT, INC.****Statements of Financial Position**

June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 718,823	\$ 2,255,488
Grants receivable	774,829	1,131,684
Prepaid expenses	<u>3,870</u>	<u>3,582</u>
 Total Assets	 <u>\$ 1,497,522</u>	 <u>\$ 3,390,754</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Line of credit - Palomar Health	\$ -	\$ 1,683,571
Accounts payable - Palomar Health	667,595	1,071,066
Accounts payable - other	<u>21,031</u>	<u>375</u>
 Total Liabilities	 688,626	 2,755,012
 Net Assets:		
Without donor restrictions	798,744	518,294
With donor restrictions	<u>10,152</u>	<u>117,448</u>
 Total Net Assets	 <u>808,896</u>	 <u>635,742</u>
 Total Liabilities and Net Assets	 <u>\$ 1,497,522</u>	 <u>\$ 3,390,754</u>

**PALOMAR HEALTH DEVELOPMENT, INC.****Statement of Activities**

Year Ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:			
Grant revenue	\$ 3,605,294	\$ 7,000	\$ 3,612,294
Other income	5,201	-	5,201
Net assets released from restrictions:			
Satisfaction of program restrictions	11,968	(11,968)	-
Satisfaction of time restrictions	102,328	(102,328)	-
Total Revenue and Support	3,724,791	(107,296)	3,617,495
Expenses:			
Program services	2,926,458	-	2,926,458
General and administrative	517,883	-	517,883
Total Expenses	3,444,341	-	3,444,341
Changes in Net Assets	280,450	(107,296)	173,154
Net Assets, beginning	518,294	117,448	635,742
Net Assets, ending	\$ 798,744	\$ 10,152	\$ 808,896

See accompanying notes to financial statements.

**PALOMAR HEALTH DEVELOPMENT, INC.****Statement of Activities**

Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:			
Grant revenue	\$ 3,747,192	\$ 7,000	\$ 3,754,192
Other income	22,818	-	22,818
Net assets released from restrictions:			
Satisfaction of program restrictions	7,585	(7,585)	-
Satisfaction of time restrictions	66,925	(66,925)	-
Total Revenue and Support	3,844,520	(67,510)	3,777,010
Expenses:			
Program services	3,068,558	-	3,068,558
General and administrative	498,918	-	498,918
Total Expenses	3,567,476	-	3,567,476
Changes in Net Assets	277,044	(67,510)	209,534
Net Assets, beginning	241,250	184,958	426,208
Net Assets, ending	\$ 518,294	\$ 117,448	\$ 635,742

**PALOMAR HEALTH DEVELOPMENT, INC.****Statement of Functional Expenses**

Year Ended June 30, 2025

	Program Services	General and Administrative	Total
Salaries and wages	\$ 1,503,126	\$ 265,258	\$ 1,768,384
Employee benefits	450,938	79,577	530,515
Professional fees	323,450	20,200	343,650
Purchased services	227,896	-	227,896
Building rent	187,185	-	187,185
Interest	-	102,328	102,328
Supplies	53,611	-	53,611
Consulting fees	-	42,000	42,000
Incentives	37,000	-	37,000
Training	34,014	-	34,014
Emergency needs for clients	27,611	-	27,611
Parent activities	25,668	-	25,668
Travel	23,003	-	23,003
Dues and subscriptions	15,517	-	15,517
Other	6,413	2,134	8,547
Utilities	7,221	-	7,221
Repairs and maintenance	-	6,186	6,186
License fees	2,349	200	2,549
Equipment rent	1,456	-	1,456
	<u>\$ 2,926,458</u>	<u>\$ 517,883</u>	<u>\$ 3,444,341</u>

**PALOMAR HEALTH DEVELOPMENT, INC.****Statement of Functional Expenses**

Year Ended June 30, 2024

	Program Services	General and Administrative	Total
Salaries and wages	\$ 1,573,536	\$ 276,446	\$ 1,849,982
Employee benefits	469,961	82,934	552,895
Professional fees	363,500	19,800	383,300
Purchased services	260,601	-	260,601
Building rent	160,160	-	160,160
Interest	-	66,925	66,925
Supplies	47,406	-	47,406
Parent activities	42,633	-	42,633
Consulting fees	-	42,000	42,000
Incentives	36,505	-	36,505
Training	23,338	-	23,338
Travel	20,944	-	20,944
Emergency needs for clients	18,698	-	18,698
Other	12,571	5,674	18,245
Repairs and maintenance	10,149	5,139	15,288
License fees	12,175	-	12,175
Utilities	8,923	-	8,923
Dues and subscriptions	6,050	-	6,050
Equipment rent	1,408	-	1,408
	<u>\$ 3,068,558</u>	<u>\$ 498,918</u>	<u>\$ 3,567,476</u>

**PALOMAR HEALTH DEVELOPMENT, INC.****Statements of Cash Flows**

Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 173,154	\$ 209,534
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Line of credit discount - Palomar Health	102,328	66,925
Changes in operating assets and liabilities:		
Grants receivable	356,855	(530,798)
Prepaid expenses	(288)	(235)
Accounts payable - Palomar Health	(403,471)	364,490
Accounts payable - other	<u>20,656</u>	<u>(2,062)</u>
Net Cash Provided by Operating Activities	249,234	107,854
Cash Flows Used by Financing Activity:		
Net activity on line of credit - Palomar Health	<u>(1,785,899)</u>	<u>(120,000)</u>
Net Change in Cash	(1,536,665)	(12,146)
Cash, beginning	<u>2,255,488</u>	<u>2,267,634</u>
Cash, ending	\$ <u><u>718,823</u></u>	\$ <u><u>2,255,488</u></u>
Supplemental Disclosures of Noncash Financing Activities:		
Interest relieved from restrictions as contribution	\$ <u><u>102,328</u></u>	\$ <u><u>66,925</u></u>

## **PALOMAR HEALTH DEVELOPMENT, INC.**

### **Notes to Financial Statements**

Years Ended June 30, 2025 and 2024

---

#### **Note 1 - Organization and Summary of Significant Accounting Policies**

##### Nature of Activities

Palomar Health Development, Inc. (the 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 (GAAP) 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 financial statements of the Organization have been prepared in accordance with GAAP, which requires the Organization to report information regarding its financial position and activities according to the following net asset classifications:

*Net assets without donor restrictions* – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose allowable under Internal Revenue Code (IRC) Section 501(c)(3) in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

*Net assets with donor restrictions* – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

The Organization did not have any donor restrictions that were perpetual in nature for the years ended June 30, 2025 and 2024. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

##### 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 GAAP. Fair value measurement techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

The carrying value of cash, receivables, prepaids, and payables approximate fair values as of June 30, 2025 and 2024, due to the relative short maturities of these instruments.

##### 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 credit losses experienced in the past, and establish an allowance for credit losses for uncollectible amounts. Management believes all receivables are fully collectible. Therefore, no allowance for credit losses is considered necessary.

## **PALOMAR HEALTH DEVELOPMENT, INC.**

### **Notes to Financial Statements**

Years Ended June 30, 2025 and 2024

---

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

##### Revenue Recognition

###### *Grant Revenue*

Grant revenues for the Organization primarily consist of fee-for-service contracts and grants awarded by governmental agencies. Revenue for grants with conditions is recorded when the conditions are met, which is typically when services are performed.

###### *Contributions*

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

##### Functional Expense Allocations

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. These expenses are reported on a reasonable basis that is consistently applied. Indirect expenses are allocated to salaries and benefits to the program they relate to. All other expenses are broken out by accounts and can be directly charged to the appropriate function based upon actual expenses and time and effort.

##### Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the IRC and Section 23701(d) of the California Revenue and Taxation Code. The Organization has been determined by the Internal Revenue Service (IRS) not to be a private foundation within the meaning of Section 509(a) of the IRC. The Organization may be subject to tax on income which is not related to its exempt purpose. For the years ended June 30, 2025 and 2024, 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.

##### Subsequent Events

The Organization has evaluated subsequent events through **REPORT DATE - TBD**, which is the date the financial statements were available to be issued.



## PALOMAR HEALTH DEVELOPMENT, INC.

### Notes to Financial Statements

Years Ended June 30, 2025 and 2024

---

#### Note 2 - Concentrations of Credit Risk

##### Cash

The Organization maintains cash accounts at various financial institutions. The balances at times may exceed Federal Deposit Insurance Corporation (FDIC) limits. Accounts at each financial institution are insured by the FDIC up to \$250,000.

##### Grant Revenue

The Organization and the First 5 Commission of San Diego (the Commission) entered into an agreement to provide health development services for children from birth through five years of age. The contract term is through June 30, 2026. The Healthy Development Services Program, funded by the Commission, provided 51% and 52% of the Organization's grant revenue for the years ended June 30, 2025 and 2024, respectively, and 45% and 40% of the Organization's grants receivable at June 30, 2025 and 2024, respectively.

The Organization and the Commission entered into an agreement to provide targeted home visiting initiative services. The contract term is through June 30, 2026. First 5 First Steps, funded by the Commission, provided 40% and 38% of the Organization's grant revenue for the years ended June 30, 2025 and 2024, respectively, and 44% and 52% of the Organization's grants receivable at June 30, 2025 and 2024, respectively.

The Organization and the San Diego County Sheriff's Department (the Department) entered into an agreement to provide victim services. The contract term is through December 31, 2024. The Victim Services Program, funded by the Department, was 11% and 9% of the Organization's grants receivable at June 30, 2025 and 2024, respectively.

#### Note 3 - Liquidity and Availability of Resources

The Organization does not typically receive significant donations of restricted cash or other assets requiring long-term (more than 12 months) management practices. Grants awarded or restricted donations are typically current activities, and such awards are consumed within the current fiscal period for the intended purpose or are received as reimbursements after approved expenditures are documented.

The Organization had a \$3,400,000 credit line from PH to support general operations as needed. Financial statements and cash needs are reviewed periodically by the Organization's Board of Directors and (if necessary) draw requests are reviewed for approval. At June 30, 2024, the available credit limit on the line of credit was approximately \$1,700,000. During October 2024, the Organization fully repaid its line of credit with PH. As of June 30, 2025, the Organization no longer maintains a line of credit facility with PH.

The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows at June 30:

	2025	2024
Cash	\$ 718,823	\$ 2,255,488
Grants receivable	774,829	1,131,684
Total financial assets	1,493,652	3,387,172
Less amounts restricted by donor with purpose restrictions	(10,152)	(15,120)
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>1,483,500</u>	\$ <u>3,372,052</u>

## PALOMAR HEALTH DEVELOPMENT, INC.

### Notes to Financial Statements

Years Ended June 30, 2025 and 2024

---

#### Note 4 - Net Assets

Net assets with donor restrictions are available for the following purposes at June 30:

	2025	2024
Interest on note payable to PH	\$ -	\$ 102,328
Child Sexual Abuse Program	9,908	14,876
Sexual Assault Response Team Staff Ed.	244	244
	<u>\$ 10,152</u>	<u>\$ 117,448</u>

Net assets were released from donor restrictions by incurring expenses to satisfy program restriction or passage of time. For the years ended June 30, 2025 and 2024, interest on the note payable to PH of \$102,328 and \$66,925 were released from donor restrictions, respectively.

#### Note 5 - Related Party Transactions

##### Financial and Accounting Services Agreement

The Organization has a financial and accounting service agreement with PH. Under the agreement, PH provides managerial, administrative, financial, and accounting services to the Organization. The value of services provided by PH is reimbursed by the Organization and included in accounts payable. The reimbursed expenses included all payroll services as well as other expenses. The amount of expenses reimbursed by the Organization to PH during the years then ended June 30, 2025 and 2024, were \$4,162,932 and \$3,629,313, respectively. At June 30, 2025 and 2024, the amount due to PH was \$667,595 and \$1,071,066, respectively.

##### Note Payable and Line of Credit

At June 30, 2024, the Organization had a note payable to PH that was interest-free, required 60 monthly payments of \$10,000, and had a balloon payment due on January 24, 2026. During October 2024, the Organization fully repaid its note payable to PH. Upon repayment of the note, the remaining unamortized discount of \$102,328 was recognized as interest expense.

Imputed interest expense of \$102,328 and \$66,925 was recognized in the statements of activities for the years ended June 30, 2025 and 2024, respectively. There was no unamortized discount related to this agreement at June 30, 2025 and \$102,328 at June 30, 2024.

#### Note 6 - Operating Lease

The Organization reimburses PH for building space related to the First 5 program. There is no formal lease agreement between PH and the Organization, and the arrangement is on a month-to-month basis. Rent expense was \$187,185 and \$160,160 for the years ended June 30, 2025 and 2024, respectively.