

DESERT HEALTHCARE FOUNDATION

Finance, Administration, Real Estate and Legal Committee Meeting October 11, 2016

A meeting of the Finance, Administration, Real Estate and Legal Committee of the Desert Healthcare Foundation will be held at 3:00 PM Tuesday, October 11, 2016, in the conference room on the 2nd floor of the Jerry Stergios Building, 1140 N. Indian Canyon Drive, Palm Springs, California.

AGENDA

I. CALL TO ORDER

II. APPROVAL OF AGENDA

III. PUBLIC COMMENT

At this time, comments from the audience may be made on items not listed on the agenda that are of public interest and within the subject-matter jurisdiction of the Foundation. The Committee has a policy of limiting speakers to not more than five minutes. The Committee cannot take action on items not listed on the agenda. Public input may be offered on an agenda item when it comes up for discussion and/or action.

IV. APPROVAL OF MINUTES

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V. APPROVAL OF FINANCIAL REPORTS

a. Desert Healthcare Foundation

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1. Craig Hartzheim – Moss Levy & Hartzheim – FY 2016 Audit Report
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2. CEO Report - Discussion

VII. Adjournment of Finance and Administration meeting

**DESERT HEALTHCARE FOUNDATION
FINANCE, ADMINISTRATION, REAL ESTATE AND LEGAL COMMITTEE
MEETING MINUTES
September 13, 2016**

A Meeting of the Finance, Administration, Real Estate and Legal Committee of the Desert Healthcare Foundation was held in the Desert Healthcare District Conference Room, 2nd Floor, Palm Springs, CA

Attendance:

Members

Mark Matthews – Chairman/Treasurer

Absent:

Staff

Chris Christensen, Interim CEO, COO/CFO

Donna Craig, Chief Grants Officer

Mary Pannoni, Account/Admin Support

Steve Brown, Director of Community Relations/Clerk of the Board

Community Members

Arthur Shorr

Sid Rubenstein

Joseph Wild

Richard Cagen

Guest

None

CALL TO ORDER

The meeting was called to order at 4:12p.m. by Chairman Matthews.

APPROVAL OF AGENDA

It was moved and seconded (Community Member Rubenstein, Community Member Shorr) to approve the agenda. Motion passed unanimously.

PUBLIC COMMENT

None

APPROVAL OF MINUTES

Submitted for approval:

1. Minutes – June 14, 2016

It was moved and seconded (Community Member Shorr, Community Member Cagen) to approve the minutes of May 10, 2016. Motion passed unanimously.

FINANCIAL REPORTS

1. Financial Statements. July & August 2016 were reviewed.
 2. Asset Allocations Schedule – July & August 2016 schedule was reviewed.
 3. Deposits – July & August 2016 deposit detail was reviewed.
 4. Check Register – July & August 2016 check register was reviewed.
 5. Credit Card Expenditures – July & August 2016 were reviewed
 5. General Grants Schedule – July & August 2016 schedule was reviewed.
- There were no questions or comments.

It was moved and seconded (Community Member, Chairman Matthews) to approve the July & August 2016 Foundation Finance Reports and forward to the Board for approval.

OTHER MATTERS

1. CEO Report

Mr. Christensen reported that the public rollout for CV HIP was discussed with Burke Consultants and staff. Proposed advertising would be posters at bus shelters, on buses, posters at medical clinics, public offices, radio ads all in both English and Spanish. Mr. Christensen will be preparing a budget for the public rollout.

ADJOURNMENT

The meeting was adjourned at 4:16 p.m.

ATTEST: _____

Mark Matthews, Chairman Finance and Administration Committee/Treasurer
Desert Healthcare District Board of Directors

Minutes respectfully submitted by Steve Brown, Clerk to the Board

DESERT HEALTHCARE FOUNDATION					
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Deposit Detail					
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Credit Card Expenditures					
Schedule of Grants					

Desert Healthcare Foundation
Profit & Loss Budget vs. Actual
July through September 2016

	MONTH			TOTAL		
	Sep 16	Budget	\$ Over Budget	Jul - Sep 16	Budget	\$ Over Budget
Income						
4116 · Bequests - Frederick Lowe	137	8,333	(8,196)	18,540	24,999	(6,459)
4130 · Misc. Income	55,000	83	54,917	55,000	249	54,751
4301 · Interest Income	1	0	1	1	0	1
8015 · Investment Interest Income	6,432	5,000	1,432	14,205	15,000	(795)
8040 · Restr. Unrealized (Gain/Loss)	(19,682)	4,167	(23,849)	9,691	12,501	(2,810)
Total Income	41,888	17,583	24,305	97,437	52,749	44,688
Expense						
5101 · DHCD-Exp Alloc Wages & benefits	2,127	2,127	0	6,381	6,381	0
8052 · Grant Expense - Collective/Mini	0	1,250	(1,250)	0	3,750	(3,750)
5001 · Accounting Services Expense	613	610	3	1,839	1,830	9
5035 · Dues & Memberships Expense	0	100	(100)	0	300	(300)
5057 · Investment Fees Expense	1,018	2,900	(1,882)	3,135	4,700	(1,565)
5065 · Legal Costs Ongoing Expense	728	83	645	894	249	645
5110 · Other Expenses	0	21	(21)	0	63	(63)
5115 · Postage & Shipping Expense	0	8	(8)	0	24	(24)
5120 · Professional Fees Expense	0	250	(250)	0	250	(250)
Total Expense Before Social Services Fund	4,466	7,349	(2,863)	12,249	17,547	(5,298)
5054 · Social Services Fund	0	4,167	(4,167)	2,000	12,501	(10,501)
Net Income	37,402	6,067	31,335	83,191	22,701	60,490

Desert Healthcare Foundation
Balance Sheet
As of September 30, 2016

	Sep 30, 16
ASSETS	
Current Assets	
Checking/Savings	
100 · CASH	
146 · Checking - Pacific Premier 6718	205,081
149 · Money Market - Pacific Premier	1,929
150 · Petty Cash	200
Total Checking/Savings	207,210
Accounts Receivable	
323 · Grant Rec-B&G Sustainability	25,000
Other Current Assets	
476-486 · INVESTMENTS	
486 · Merrill Lynch	
486.1 · Merrill Lynch Unrealized Gain	101,956
486 · Merrill Lynch - Other	545,370
Total 486 · Merrill Lynch	647,326
477 · Morgan Stanley-Investments	
477.2 · Unrealized Gain/(Loss)	70,885
477 · Morgan Stanley-Investments - Other	1,662,670
Total 477 · Morgan Stanley-Investments	1,733,556
Total 476-486 · INVESTMENTS	2,380,881
500 · CONTRIBUTIONS -RCVB -CRTS	
515 · Contrib RCVB-Pressler CRT	60,666
530 · Contrib RCVB-Guerts CRT	143,509
Total 500 · CONTRIBUTIONS -RCVB -CRTS	204,175
540 · ASSETS IN CRT	
550 · Assets in CRT -R Waite	78,576
601 · Prepaid Payables	3,962
Total Other Current Assets	2,667,595
Total Current Assets	2,899,805
Other Assets	
460 · Investments - Point Center Fin	
461 · Reserve - Point Center - Loan	(25,015)
460 · Investments - Point Center Fin - Other	25,015
Total Other Assets	-
TOTAL ASSETS	2,899,805

Desert Healthcare Foundation
Balance Sheet
As of September 30, 2016

	Sep 30, 16
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
1052 · Account payable-DHCD Exp Alloc	16,833
1000 · Accounts Payable	2,589
Total Accounts Payable	19,422
Other Current Liabilities	
2190 · Current - Grants payable	488,514
2180 · Accrued Accounts Payable	1,508
Total Other Current Liabilities	490,022
Total Current Liabilities	509,444
Long Term Liabilities	
2186 · Grants payable	200,000
Total Liabilities	709,444
Equity	
3900 · Retained Earnings	2,107,170
Net Income	83,191
Total Equity	2,190,361
TOTAL LIABILITIES & EQUITY	2,899,805

DESERT HEALTHCARE FOUNDATION				
BALANCE SHEET 09/30/16				
ALLOCATION OF MAJOR CATEGORIES/LIABILITIES				
	T/B	GENERAL Fund	Restricted Funds	Trusts
ASSETS				
146 · Checking Pacific Premier 8718	205,081	205,081		
149 · Money Market Pacific Premier Bank	1,929	1,929		
150 · Petty Cash	200	200		
Total 100 · CASH - UNRESTRICTED	207,210	207,210	-	-
321 - Accounts Receivable				
323- Grant Rec - DHCD(RAP) - Collective Fund	25,000		25,000	
477 · Invt-Morgan Stanley				
477.2 · Unrealized Gain	70,885	70,885		
477 · Invt-Morgan Stanley	1,662,670	1,646,482	16,188	
Total 477 · Invt-Morgan Stanley	1,733,556	1,717,367	16,188	
6441 486.1 · Merrill Lynch Unrealized Gain	101,958		101,958	
486 · Merrill Lynch	545,370		545,370	
Total 486 · Merrill Lynch	647,326	-	647,326	
515 · Contrib RCVB-Pressler CRT	60,666			60,666
530 · Contrib RCVB-Guerts CRT	143,509			143,509
550 · Assets in CRT -R Waite	78,576			78,576
601 - Prepaid payables	3,982	3,982		
Total Current Assets	2,899,805	1,928,540	688,514	282,751
TOTAL ASSETS	2,899,805	1,928,540	688,514	282,751
LIABILITIES & EQUITY				
Liabilities				
Current Liabilities				
Accounts Payable				
1000 · Accounts Payable	2,589	2,589		
1052 - Account Payable - DHCD - Alloc Expenses	16,833	16,833		
2180 - Accrued Accounts Payable	1,508	1,508		
2190 - Grants Payable - Current Portion	488,514		488,514	
Total Current Liabilities	509,444	20,930	488,514	-
2186 - Grant Payable - Long Term	200,000		200,000	
Total Liabilities	709,444	20,930	688,514	-
Equity				
3800 · Retained Earnings	2,107,170	1,824,419	-	282,751
Net Income	83,191	83,191		
Total Equity	2,190,361	1,907,610	-	282,751
TOTAL LIABILITIES & EQUITY	2,899,805	1,928,540	688,514	282,751

Desert Healthcare Foundation
Deposit Detail
September 2016

Type	Date	Name	Amount
Deposit	09/15/2016		137
		Warner Music Group Services	(137)
TOTAL			(137)
Deposit	09/28/2016		56,508
		State of Calif-Covered CA	(1,508)
		Texas Royalty Interest	(55,000)
TOTAL			(56,508)
Deposit	09/30/2016		1
		Interest	(1)
TOTAL			(1)
		Total Deposits	56,646

Desert Healthcare Foundation
Check Register
As of September 30, 2016

Type	Date	Num	Name	Amount
100 - CASH				
146 - Checking - Pacific Premier 6718				
Bill Pmt -Check	09/08/2016	10646	Alejandro Espinoza	(730)
Bill Pmt -Check	09/13/2016	10647	Moss, Levy & Hartzheim LLP	(3,000)
Bill Pmt -Check	09/22/2016	10648	Alejandro Espinoza	(369)
Bill Pmt -Check	09/27/2016	10649	TOP Shop	(3,866)
TOTAL				(7,965)

DESERT HEALTHCARE FOUNDATION
OUTSTANDING GRANTS AND GRANT PAYMENT SCHEDULE - EXCLUDING ACA GRANTS
As of 09/30/16
TWELVE MONTHS ENDED JUNE 30, 2017

A/C 2190 and A/C 2186-Long term		6/30/2016	New Grants	Total Paid	9/30/2016	
Grant ID Nos.	Name	Open	Current Yr	July-June	Open	
		BALANCE	2015-2017		BALANCE	
BOD -5/22/2012 (#729)	Alliance for a Healthier Generation	\$ 82,987		\$ -	\$ 82,987	School Prog
6/25/2013	Mayor's Check recorded	\$ 15,768		\$ -	\$ 15,768	N. Palm Spgs
BOD - 11/21/13	California Health Portal 2014 and 2015 - \$200K	\$ 98,016		\$ 3,911	\$ 94,105	HP
DHCD BOD 1/28/14	DHCD BOD - approved \$50K for Collective fund	\$ 27,757		\$ -	\$ 27,757	Shared Facility
Restricted Donation	Cal Endowment - \$130K for collective fund	\$ 10,000		\$ -	\$ 10,000	Shared Facility
	Mayor's Check recorded - \$100K HP	\$ 100,000		\$ -	\$ 100,000	100 HP
BOD 4/15/14	Challenge Grant #829 \$310K Record match only	\$ 77,047		\$ 77,047	\$ -	B&G Stabilization
Matching Grants #829	RAP \$150K, B&G Club	\$ 77,953		\$ 62,453	\$ 15,500	B&G Stabilization
2015-BOD-2-24-15	Mayor's Race Grant - Foundation funded match - \$100K RSS	\$ 57,578		\$ 15,181	\$ 42,397	Swim
5/8/15 - Mayor's Race	Mayor's Check recorded - \$100K RSS	\$ 100,000		\$ -	\$ 100,000	100 Swim
	Mayor's Check recorded - \$100K HP	\$ 100,000		\$ -	\$ 100,000	100 HP
3/17/16 - Mayor's Race	Mayor's Check recorded - \$100K RSS	\$ 100,000		\$ -	\$ 100,000	Swim
TOTAL GRANTS		\$ 847,106	\$ -	\$ 158,592	\$ 688,513	
Summary: As of 09/30/16		\$ 519,290		A/C 2190	\$ 488,514	
Alliance - School Program	\$ 82,987	\$ 327,816		A/C 2186	\$ 200,000	
Health Portal:	\$ 294,105	\$ 847,106		Total	\$ 688,514	
Swim	\$ 242,397	\$ (0)		Diff	\$ (0)	
Boys and Girls Club Stabilization	\$ 15,500					
Shared facility use:						
Cal Endow and School Dist	\$ 37,757					
North Palm Springs	\$ 15,768					
Total	\$688,513					
Amts available/remaining for Grant/Programs - FY 2016-17:				FY17 Grant Budget		
Amount budgeted 2016-2017		\$ 215,000		\$ 15,000		
Amount granted through September 30, 2016:		\$ -		\$ 154,094		
Mini Grants:		\$ -		\$ 100,000		
Net adj - Grants not used:		\$ -		\$ 100,000		
Balance available for Grants/Programs		\$ 215,000		\$ 369,094		

DESERT HEALTH CARE FOUNDATION
MANAGEMENT REPORT
AND
AUDITOR'S COMMUNICATION LETTER

June 30, 2016

DESERT HEALTH CARE FOUNDATION

June 30, 2016

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MOSS, LEVY & HARTZHEIM LLP

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To the Honorable Board of Directors
of the Desert Health Care Foundation
Palm Springs, California

In planning and performing our audit of the financial statements of the Desert Health Care Foundation (the Foundation) as of and for the fiscal year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the Foundation'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entities' internal control. Accordingly, we do not express an opinion on the effectiveness of the entities' internal control.

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 significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

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.

During our audit we noted no matters involving internal controls and their operations, that are required to be reported under Government Auditing Standards.

We have included in this letter a summary of communications with the members of the Board of Directors as required by professional auditing standards. We would like to thank the Foundation's management and staff for the courtesy and cooperation extended to us during the course of our engagement.

The accompanying communications and recommendations are intended solely for the information and use of management, the members of the Board of Directors, and others within the entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

Moss, Levy & Hartzheim

MOSS, LEVY & HARTZHEIM, LLP
Culver City, California
October 5, 2016



MOSS, LEVY & HARTZHEIM LLP

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To the Honorable Board of Directors
of the Desert Health Care Foundation
Palm Springs, California

We have audited the financial statements of the Desert Health Care Foundation (the Foundation) for the fiscal year ended June 30, 2016, and have issued our report thereon dated October 5, 2016. Professional standards require that we provide you with the information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter dated May 16, 2016. Professional standards also 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 entities are described in Note 1 of the notes to the basic financial statements. As discussed in Note 1 of the notes to the basic financial statements, for the fiscal year ended June 30, 2016, the Foundation implemented Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement and Applications. This Statement is effective for periods beginning after June 15, 2015. The objective of this Statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. Implementation of GASB Statement No. 72 did have an impact on the Desert Healthcare Foundation financial statements for the fiscal year ended June 30, 2016, see Notes to the financial statements.

We noted no transactions entered into by the Foundation during the fiscal 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 the estimated historical cost and useful lives of certain capital assets, and the estimate of an allowance for uncollectable receivables. Management's estimates of the estimated historical cost and useful lives of certain capital assets are based on historical data and industry guidelines. The amount of estimated allowance for uncollectable receivables is based on historical data. We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the financial statements taken as a whole.

We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the financial statements taken as a whole. The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no 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. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's 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 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 October 5, 2016.

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 Foundation'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 Foundation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the members of the Board of Directors and management of the Foundation and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Levy & Hartzheim

MOSS, LEVY & HARTZHEIM, LLP
Culver City, California
October 5, 2016

CURRENT YEAR RECOMMENDATIONS

Other Matters

None

STATUS OF PRIOR YEAR RECOMMENDATION

None



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S 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 Honorable Board of Directors
of the Desert Health Care Foundation
Palm Springs, 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 financial statements of the Desert Health Care Foundation (the Foundation), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated October 5, 2016.

Internal Control over Financial Reporting.

In planning and performing our audit of the financial statements, we considered the Foundation'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation 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 entities' 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 of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. 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 Foundation's financial statements are free from 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 financial statement 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 Foundation'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 Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss, Levy & Hartzheim

MOSS, LEVY & HARTZHEIM, LLP
Culver City, California
October 5, 2016

DESERT HEALTHCARE FOUNDATION
PALM SPRINGS, CALIFORNIA
INDEPENDENT AUDITORS' REPORT AND
FINANCIAL STATEMENTS
JUNE 30, 2016

DESERT HEALTHCARE FOUNDATION

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MOSS, LEVY & HARTZHEIM LLP

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INDEPENDENT AUDITORS' REPORT

To the Honorable Board of Directors
of the Desert Healthcare Foundation
Palm Springs, California

We have audited the accompanying financial statements of Desert Healthcare Foundation (Foundation), a not-for-profit organization and a component unit of the Desert Healthcare District, which comprise the statement of financial position, as of June 30, 2016 and the related statement of activities, functional expenses, and cash flows for the fiscal years then ended, and the related notes to the financial statements. .

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those 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 financial statements referred to above present fairly, in all material respects, the financial position of Desert Healthcare Foundation as of June 30, 2016 and the changes in its net assets and its cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

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 control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Report on Comparative Summarized Information

We have previously audited the Foundation's 2015 financial statements, and our report dated September 25, 2015 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
October 5, 2016

DESERT HEALTHCARE FOUNDATION

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2016

WITH COMPARATIVE TOTALS FOR JUNE 30, 2015

			<u>Totals</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016</u>	<u>2015</u>
ASSETS				
Cash and cash equivalents	\$ 206,897	\$ -	\$ 206,897	\$ 75,841
Grants receivable	102,047		102,047	435,000
Prepaid expenses	2,800		2,800	2,500
	<hr/>	<hr/>	<hr/>	<hr/>
Total current assets	311,744		311,744	513,341
	<hr/>	<hr/>	<hr/>	<hr/>
OTHER ASSETS				
Contributions receivable - charitable remainder trusts		204,175	204,175	193,008
Assets held in charitable remainder trusts		78,576	78,576	77,410
Investments	2,352,838		2,352,838	2,641,514
Accrued interest and dividend receivable	9,781		9,781	
	<hr/>	<hr/>	<hr/>	<hr/>
Total other assets	2,362,619	282,751	2,645,370	2,911,932
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	\$ 2,674,363	\$ 282,751	\$ 2,957,114	\$ 3,425,273
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 2,838	\$ -	\$ 2,838	\$ 34,536
Grants Payable - ACA Covered CA				431,961
Grants payable - current portion	647,106		647,106	874,779
	<hr/>	<hr/>	<hr/>	<hr/>
Total current liabilities	649,944		649,944	1,341,276
	<hr/>	<hr/>	<hr/>	<hr/>
Long-term liabilities:				
Grants payable - long-term	200,000		200,000	227,816
	<hr/>	<hr/>	<hr/>	<hr/>
Total long-term liabilities	200,000		200,000	227,816
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	849,944		849,944	1,569,092
	<hr/>	<hr/>	<hr/>	<hr/>
NET ASSETS	1,824,419	282,751	2,107,170	1,856,181
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 2,674,363	\$ 282,751	\$ 2,957,114	\$ 3,425,273
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements

DESERT HEALTHCARE FOUNDATION

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

			<u>Totals</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016</u>	<u>2015</u>
SUPPORT AND REVENUE				
Contributions	\$ 105,305	\$ -	\$ 105,305	\$ 205,080
Grants and bequests	405,752		405,752	241,378
Interest and dividends	73,802		73,802	69,101
Investment gains	86,039		86,039	9,045
Change in value - charitable trusts		12,333	12,333	(8,968)
Total support and revenue	<u>670,898</u>	<u>12,333</u>	<u>683,231</u>	<u>515,636</u>
EXPENSES				
Grants and services	368,233		368,233	448,889
Management and general	64,009		64,009	108,925
Total expenses	<u>432,242</u>		<u>432,242</u>	<u>557,814</u>
INCREASE (DECREASE) IN NET ASSETS	238,656	12,333	250,989	(42,178)
NET ASSETS, BEGINNING OF FISCAL YEAR	<u>1,585,763</u>	<u>270,418</u>	<u>1,856,181</u>	<u>1,898,359</u>
NET ASSETS, END OF FISCAL YEAR	<u>\$ 1,824,419</u>	<u>\$ 282,751</u>	<u>\$ 2,107,170</u>	<u>\$ 1,856,181</u>

The accompanying notes are an integral part of these financial statements

DESERT HEALTHCARE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Grants and Services	Management and General	Totals	
			2016	2015
Grants and services	\$ 368,233	\$ -	\$ 368,233	\$ 448,889
Other expenses		210	210	791
Professional fees		63,799	63,799	108,134
TOTAL FUNCTIONAL EXPENSES	\$ 368,233	\$ 64,009	\$ 432,242	\$ 557,814

The accompanying notes are an integral part of these financial statements

DESERT HEALTHCARE FOUNDATION

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from public support	\$ 844,010	\$ 1,150,732
Cash paid to suppliers	(1,151,690)	(1,310,933)
Interest and dividends received	64,021	32,095
	<u>(243,659)</u>	<u>(128,106)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investment activity	<u>374,715</u>	<u> </u>
	<u>374,715</u>	<u> </u>
NET INCREASE (DECREASE) IN CASH	131,056	(128,106)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FISCAL YEAR	<u>75,841</u>	<u>203,947</u>
CASH AND CASH EQUIVALENTS AT END OF FISCAL YEAR	<u>\$ 206,897</u>	<u>\$ 75,841</u>
RECONCILIATION OF INCREASE (DECREASE) IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Increase (decrease) in net assets	<u>\$ 250,989</u>	<u>\$ (42,178)</u>
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities		
Net (gains) on investments	(86,039)	(54,021)
(Increase) decrease in assets		
Grants receivable	332,953	704,274
Other current assets	(300)	(223)
Charitable trusts	(12,333)	16,938
Accrued interest and dividends	(9,781)	
Increase (decrease) in liabilities		
Accounts payable	(31,698)	(8,848)
Liabilities under unitrusts		(7,970)
Grants payable	<u>(687,450)</u>	<u>(736,078)</u>
	<u>(494,648)</u>	<u>(85,928)</u>
	<u>\$ (243,659)</u>	<u>\$ (128,106)</u>

The accompanying notes are an integral part of these financial statements

DESERT HEALTHCARE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Desert Healthcare Foundation (Foundation), a not-for-profit organization, is a health and welfare organization created to identify the health care needs of the Desert Healthcare District (District) and to work toward treating those needs through various programs and services. The Foundation is a component unit of the District due to the nature and significance of their relationship with the District. The Foundation operates primarily in the Coachella Valley area of Southern California and, as such, is subject to market conditions, which could affect charitable giving and the realization of recorded asset values at various times.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting.

Basis of Presentation

The Foundation 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. The Foundation has temporarily restricted net assets of \$282,751 at June 30, 2016. The Foundation did not have any permanently restricted net assets at June 30, 2016.

Use of Estimates

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

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are 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 is reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated Facilities and Services

The District has provided to the Foundation the use of its office facilities at no charge. For the fiscal year ended June 30, 2016 the District allocated to the Foundation \$34,980 related to personnel charges. The value of the on-site facilities is not reflected in these statements, as they do not meet the criteria for recognition.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

DESERT HEALTHCARE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments are stated at fair value. Realized and unrealized gains and losses on investments are recognized as changes in net assets in the periods in which they occur.

Income Taxes

The Foundation is a not-for-profit organization that is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3), and from California franchise taxes under related state tax regulations and classified by the Internal Revenue Service as other than a private foundation. The Foundation may be subject to tax on income from any unrelated business operations. The Foundation does not currently have any unrelated business operations.

The Foundation's returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

Memorandum Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the prior year, from which the summarized information was derived.

2. FAIR VALUE MEASUREMENTS

The Foundation applies Generally Accepted Accounting Principles (US GAAP) for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis.

GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

DESERT HEALTHCARE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

2. FAIR VALUE MEASUREMENTS (Continued)

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

At June 30, 2016 all investments are measured at fair value on a recurring basis and were valued at Level 1 inputs (quoted prices in active markets for identical assets). Fair value for investments at June 30, 2016 was \$2,361,996. (See Note 3)

3. CASH AND INVESTMENTS

Demand Deposits

The carrying amounts of the Foundation's cash deposits were \$206,897 at June 30, 2016. Bank balances were \$206,897 at June 30, 2016. The Foundation occasionally carries cash balances in banks in excess of the Federal Deposit Insurance Corporation's insurance limits.

Investments

At June 30, 2016, investments consisted of the following:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Mutual funds	\$ 589,891	\$ 624,329	\$ 34,438
Corporate bonds	742,426	775,668	33,242
Government bonds	894,425	934,473	40,048
Marketable securities	27,526	27,526	
	<u>\$ 2,254,268</u>	<u>\$ 2,361,996</u>	<u>\$ 107,728</u>

DESERT HEALTHCARE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

4. SPLIT INTEREST AGREEMENTS

Charitable Remainder Trusts

The Foundation was named trustee in one charitable remainder unitrust in which the trustee has a fiduciary responsibility to maintain and invest the trust assets prudently.

Trust I (dated April 12, 1989): Upon the death of the donor, 100% of the principal and income of the trust that is not required to have been distributed to the life beneficiary shall become the property of the Foundation. The donor passed away May 30, 2015. As of June 30, 2016 the Foundation has a receivable in the amount of \$78,576.

The Foundation was named beneficiary to two additional charitable remainder unitrusts (whose trustees are someone other than the Foundation), all of which are recorded at fair value. The general terms of the two trusts are as follows:

Trust 4 (dated October 3, 1989): The lesser of the trust income or 8% of the net fair market value of trust assets is to be distributed to the life beneficiary annually. Upon the death of the life beneficiary, 50% of the principal and income not required to have been distributed to the life beneficiary shall become the property of the Foundation, to be used for cancer treatment, or for general purposes if a cure for cancer has been found. At December 31, 2015, which is the most current information available, the estimated present value of future cash flows was \$143,509.

Trust 7 (dated May 17, 1990): 8.5% of the net fair market value of trust assets is to be distributed to the life beneficiary annually. Upon the death of the life beneficiary, all of the principal and income not required to have been distributed to the life beneficiary shall become the property of the Foundation, to be used for general purposes. The estimated present value of future cash flows at June 30, 2016 was \$60,666.

DESERT HEALTHCARE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

5. GRANTS AND SERVICES

Grants and services consisted of the following for the fiscal years ended June 30:

	<u>2016</u>	<u>2015</u>
Grant for Social Services Fund	\$ -	\$ 30,000
Grant for Healthy Planet Wellness Festival		200,000
Grant for Health Portal	298,016	
Grant for Swim Lessons	257,578	100,000
Grant for Collective Fund		62,490
Boys and Girls Stabilization	155,000	70,000
Alliance- School Program	82,987	
Cal Endow and School District	37,757	
North Palm Springs	15,768	
Grant for Covered California - unexpended		(13,601)
	<u>\$ 847,106</u>	<u>\$ 448,889</u>

6. TEMPORARILY RESTRICTED NET ASSET RESTRICTIONS

Temporarily restricted net assets are subject to restrictions limiting the Foundation's use of the contributed assets to later periods or after specific dates (time restrictions), special purposes (purpose restriction), or both. Temporarily restricted net assets at June 30, 2016 and 2015 are subject to the following restrictions:

	<u>2016</u>	<u>2015</u>
<u>Time Restrictions</u>		
Contributions receivable -		
charitable remainder trusts	\$ 204,175	\$ 193,008
Assets held in charitable remainder trusts	78,576	77,410
	<u>\$ 282,751</u>	<u>\$ 270,418</u>

7. SUBSEQUENT EVENTS

The Foundation evaluated all potential subsequent events as of October 5, 2016 when the financial statements were authorized and available to be issued. No subsequent events or transaction were identified after June 30, 2016 or as of October 5, 2016 that require disclosure to the financial statements.