



SVHCD AUDIT COMMITTEE

AGENDA

Monday, May 1, 2023

3:00 p.m. Regular Session

**To Be Held in Person at
Sonoma Valley Hospital Schantz Conference Room
645 Andrieux Street, Sonoma, CA 95476**

and Via Zoom Videoconference

To Participate via Zoom Videoconferencing,
use the link below:

<https://sonomavalleyhospital-org.zoom.us/j/96380663503?pwd=NTF2RjdsekRCQkZoaU1tInNRN0htdz09&from=addon>

Meeting ID: 963 8066 3503 **Passcode:** 501774

Dial by your location:

1 669 219 2599 or 1 669 900 9128

<p>In compliance with the Americans Disabilities Act, if you require special accommodations to participate in a District meeting, please contact Interim District Clerk Monique Crayton at mcrayton@sonomavalleyhospital.org or (707) 935.5005 at least 48 hours prior to the meeting.</p>		
AGENDA ITEM	RECOMMENDATION	
<p>MISSION STATEMENT <i>The mission of the SVHCD is to maintain, improve, and restore the health of everyone in our community.</i></p>		
<p>1. CALL TO ORDER/ANNOUNCEMENTS</p>	<p><i>Boerum</i></p>	
<p>2. PUBLIC COMMENT SECTION <i>At this time, members of the public may comment on any item not appearing on the agenda. It is recommended that you keep your comments to three minutes or less. Under State Law, matters presented under this item cannot be discussed or acted upon by the Committee at this time. For items appearing on the agenda, the public will be invited to make comments at the time the item comes up for Committee consideration.</i></p>	<p><i>Boerum</i></p>	
<p>3. MINUTES 11.22.22</p>	<p><i>Boerum</i></p>	<p>Action</p>
<p>4. RECEIVE AUDIT PROPOSAL FROM ARMANINO ASSOCIATES</p>	<p><i>Boerum</i></p>	<p>Action</p>
<p>5. ADJOURN</p>	<p><i>Boerum</i></p>	



SVHCD
AUDIT COMMITTEE MEETING
MINUTES
TUESDAY, NOVEMBER 22, 2022
Via Zoom Teleconference

Present	Excused	Staff	Public	
Bill Boerum via Zoom Joshua Rymer via Zoom Art Grandy via Zoom Graham Smith via Zoom		John Hennelly, CEO, via Zoom Ben Armfield, CFO, via Zoom	Elizabeth Marek, Armanino, LLP, via Zoom Brian Sackstein, Armanino, LLP, via Zoom	
AGENDA ITEM	DISCUSSION		ACTIONS	FOLLOW-UP
MISSION & VISION STATEMENT <i>The mission of SVHCD is to maintain, improve and restore the health of everyone in our community.</i>				
1. CALL TO ORDER/ANNOUNCEMENTS	<i>Boerum</i>			
	Called to order at 4:00 pm. Mr. Boerum thanked Mr. Rymer, who is retiring, for his eight years of service to the District.			
2. PUBLIC COMMENT SECTION	<i>Boerum</i>			
	None			
3. CONSENT CALENDAR Minutes 01.05.22	<i>Boerum</i>		MOTION: by Grandy to approve, 2 nd by Rymer. All in favor.	
4. SVHCD AUDITED FINANCIAL STATEMENTS FOR JUNE 30, 2022	<i>Armanino, LLP</i>			
	Mr. Sackstein, audit partner, and Ms. Marek, engagement manager, gave a presentation on the audit highlights. An unmodified opinion was expressed on the financial statements. No difficulties were encountered and there was no major change in the planned timeline. No material weaknesses or significant deficiencies in internal control were identified. No single audit was required for FY 2022 but will be required for FY 2023.		MOTION: by Rymer to approve for recommendation to the Board, 2 nd by Grandy. All in favor.	

	There was a new accounting policy this year with regard to recording liabilities and assets for leases, and that discussion will be in the notes to the financials.		
5. ADJOURN	<i>Boerum</i>		
	Meeting adjourned at 5:06 p.m.		

May 1, 2023

Judy Bjorndal
Board Chair
Sonoma Valley Health Care District
347 Andrieux Street
Sonoma, California 95476
United States

Dear Judy:

Armanino^{LLP} ("Armanino," "we" or "us") is pleased to provide the services described below (the "Services") to Sonoma Valley Health Care District ("Client" or "you" or the "Organization"). The Services are subject to the terms and conditions of this engagement letter and the Terms & Conditions for Professional Services, located at <http://www.armaninollp.com/professionalservices> (together, this "Agreement").

Audit Scope and Objectives

We will audit the financial statements of Sonoma Valley Health Care District, which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Also, the following supplementary information accompanying the financial statements will be subjected to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and we will provide an opinion on it in relation to the financial statements as a whole in a separate written report accompanying our auditor's report on the financial statements or in a report combined with our auditors report on the financial statements:

1. Management's Discussion and Analysis
2. Supplementary Information Related to Community Support

The objectives of our audit 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 issue an auditor's report that includes our opinion about whether the financial statements are fairly presented, in all material respects, and in conformity with accounting principles generally accepted in the United States of America ("GAAP"). 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. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user made based on the financial statements.



An independent firm
associated with Moore
Global Network Limited

Auditor's Responsibilities for the Audit of the Financial Statements

We will conduct our audit in accordance with GAAS and will include tests of your accounting records and other procedures we consider necessary to enable us to express such an opinion. As part of an audit in accordance with GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit.

We will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management. We will also evaluate the overall presentation of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieve fair presentation. 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 an unavoidable risk that some material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with GAAS. 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. We will include such matters in the reports required for a Single Audit. 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.

We will obtain an understanding of the Organization and its environment, including internal control relevant to the audit, sufficient to identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, and to design and perform audit procedures responsive to those risks and obtain evidence that is sufficient and appropriate to provide a basis for our opinion. 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 omission, misrepresentation, or the override of internal control. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. Accordingly, we will express no such opinion. 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 have identified the following significant risks of material misstatement as part of our audit planning:

1. Valuation of Accounts Receivable

We will also conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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.

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 since performing those procedures or taking such action would impair our independence.

Responsibilities of Management for the Financial Statements

Our audit will be conducted on the basis that you acknowledge and understand your responsibility for designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, 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 GAAP. You are also responsible for making drafts of financial statements, all financial records, and related information available to us and for the accuracy and completeness of that information (including information from outside the general and subsidiary ledgers). 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, such as records documentation, identification of all related parties and all related-party relationships and transactions, and other matters; (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. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

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 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, regulators, or others. In addition, you are responsible for identifying and ensuring that the Organization complies with applicable laws and regulations.

You are responsible for the preparation of the supplementary information, in conformity with GAAP. 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 relating to the tax services, financial statements 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.

NONATTEST SERVICES

We will perform the following nonattest services (the "Nonattest Services"):

1. Assist with the preparation of the financial statements, including the related footnotes.

As noted in Section 2 of the Terms & Conditions for Professional Services, in order for us to remain independent, professional standards require us to maintain certain respective roles and relationships with you with respect to the Nonattest Services. Prior to performing the Nonattest Services in conjunction with our attest services, management must acknowledge its acceptance of certain responsibilities.

Therefore, you agree to perform the following functions in connection with our performance of the Nonattest Services:

- Make all management decisions and perform all management functions with respect to the Nonattest Services provided by us.
- Assign appropriate individual(s), possessing suitable skill, knowledge, and experience to oversee the Nonattest Services outlined above and evaluate the adequacy and results of these services. You will notify us of the individual(s) assigned and any subsequent changes in the individual(s) assigned.
- Accept responsibility for the results of the Nonattest Services.
- Establish and maintain internal controls related to the Nonattest Services.

The Nonattest Services are limited to those outlined above. We, in our professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as making management decisions or performing management functions. Your management must make all decisions with regard to our recommendations. By signing this agreement, you acknowledge acceptance of these responsibilities.

ENGAGEMENT ADMINISTRATION; PRICES

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.

Brian Sackstein is the engagement partner and is responsible for supervising the Attest Services and signing the audit report. The engagement partner will assign work on the engagement to others at our firm, who may include CPAs and other staff and owners who are not CPAs.

Our price for the Attest Services will be: \$ 80,000

You will also be billed for administrative, travel and other out-of-pocket expenses which typically range between 5% of the total price for the Services.

A retainer of \$10,000 is required on the first day of work and will be applied to current billings as the Services are performed.

The price estimate anticipates that we do not encounter any unexpected circumstances, such as inadequate or incomplete accounting records, unexpected accounting issues, or delayed responses by you to our requests for information or documents. For example, if our work is delayed because you do not complete requested schedules or provide other information as requested, we will need to spend additional time that will be billed to you separately at our standard hourly rates.

Reporting

We will issue a written report upon completion of our audit of the Organization's financial statements. Our report will be addressed to the board of directors of the Organization. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinion, add a separate section, or add an emphasis-of-matter or other-matter paragraph to our auditor's report, or if necessary, withdraw from this engagement. 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 withdraw from this engagement.

* * *

We appreciate the opportunity to be of service to you and believe this Agreement accurately summarizes the terms applicable to the Services. If you have any questions, please let us know. If you agree with the terms of this Agreement, please sign the enclosed copy and return it to us.

Sincerely,
Brian Sackstein
Partner

THIS AGREEMENT, INCLUDING THE TERMS & CONDITIONS FOR PROFESSIONAL SERVICES LOCATED AT [HTTP://WWW.ARMANINOLLP.COM/PROFESSIONALSERVICES](http://www.armaninollp.com/professionalservices), IS HEREBY APPROVED AND ACCEPTED:

**Sonoma Valley Health Care District on behalf of each entity
and individuals covered by this Agreement**

By: _____
Judy Bjorndal, Board Chair

Date: _____



Possible *(Re)Defined*™

S o n o m a V a l l e y
H e a l t h C a r e D i s t r i c t

Presented by: Liz Marek, CPA and Brian Sackstein, CPA



May 2023

Board of Directors
c/o Ben Armfield
Sonoma Valley Health Care District
347 Andrieux Street
Sonoma, California 95476

Dear Board of Directors:

We are engaged to audit the financial statements of Sonoma Valley Health Care District (the "Hospital") as of June 30, 2023 and for the year then ended. Professional standards require that we provide you with the following information related to our audit. We would also appreciate the opportunity to meet with you to discuss this information further since a two-way dialogue can provide valuable information for the audit process.

We welcome the opportunity to discuss these items with you further and thank you for trusting Armanino LLP ("Armanino") to be your independent auditor.

The following communication was prepared as part of our audit, has consequential limitations, and is intended solely for the information and use of those charged with governance and, if appropriate, management of the Hospital and is not intended and should not be used by anyone other than those specified parties.

Very truly yours,

Armanino LLP



DISCUSSION OUTLINE

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OUR RESPONSIBILITIES UNDER U.S. GENERALLY ACCEPTED AUDITING STANDARDS

Our responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated _____, 2023, 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 U.S. generally accepted accounting principles. Our audit of the financial statements do not relieve you or management of your responsibilities.

1. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free from material misstatements.
2. As part of the audit, we will consider the internal controls of the Hospital. Such consideration will be solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal controls.
3. We are responsible for communicating significant matters related to the audit that are, in our professional judgement, relevant to your responsibility in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.
4. We are also responsible for communicating compliance with grant and contracts to those charged with governance.

OTHER INFORMATION IN DOCUMENTS CONTAINING AUDITED FINANCIAL STATEMENTS

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

PLANNED SCOPE OF AUDIT

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. We will also communicate any internal control related matters that are required to be communicated under professional standards.



PLANNED SCOPE OF AUDIT (continued)

The scope of our engagement is to audit the financial statements of the Hospital for the year ended June 30, 2023.

As required as part of our audit procedures, we will also perform the following:

- Review of applicable filing requirements and confirmation, and assurance that all required Internal Revenue Service forms are filed in a timely manner;
- Review to ensure activities are consistent with tax-exempt purpose;
- Review of compliance with disclosure requirements for fundraising solicitations and events; and
- Review of cash management and bookkeeping roles, responsibilities, practices, and governance across the Organization’s operations.

TIMING OF THE AUDIT

The following is a summary of tentatively scheduled dates related to the audit and the timely delivery of our scope of services noted above:

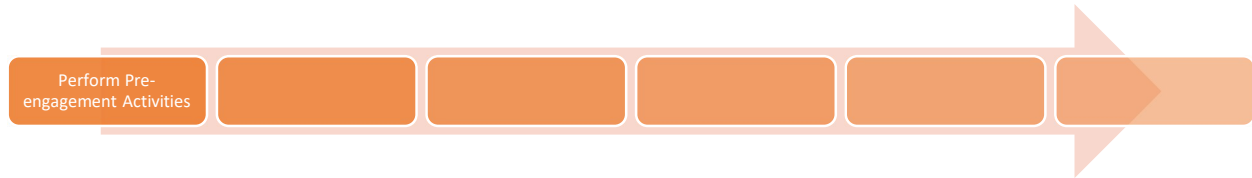
Audit Function	Dates
Pre-audit board meeting	April 2023 (and to be determined)
Audit fieldwork	Week of August 14 th (two-three weeks duration)
Draft audit report due to board	Week of September 25 th
Post-audit board meeting	Week of October 23 rd
Financial statements finalization	Week of November 6 th

SUMMARY OF SPECIFIC/HIGH RISK AUDIT AREAS

Organization	Specific/High Risk Audit Area
Sonoma Valley Health Care District	<ul style="list-style-type: none">• Test the collectability of the receivables and verify proper cutoff of recognition. Is there a need for additional allowance• Identifying all programs and sampling in the programs• Evaluating and testing the allocation of expenses across all programs• Evaluate and test the revenue recognition related to the contract based programs (if applicable) and contributions and verify that there is satisfactory supporting evidence• Test the accuracy of the investment reporting and transactions exercised during the year

SUMMARY OF GENERAL AUDIT PROCEDURES

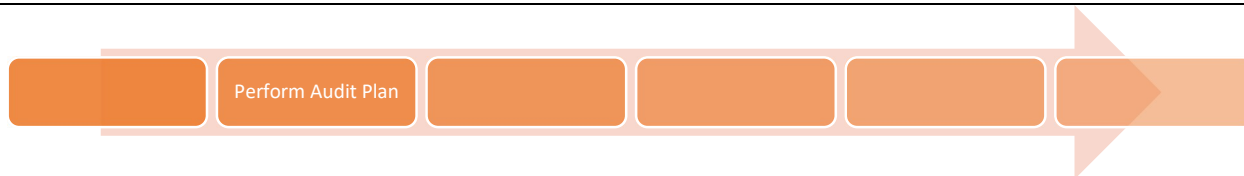
We will review the accounting practices of the Hospital, which include policies, estimates, and financial statement disclosures management has identified to be the most critical and concur with management's assessment. These areas include the following:



Phase I: Perform Pre-engagement Activities, Perform Preliminary Planning and Develop Audit Plan

Financial Statement Audit

- Gain an understanding of the Hospital's business and program operations and your underlying fiscal policies and procedures by gathering information, interviews and meetings
- Review prior audit work papers (first year only)
- Develop a preliminary risk assessment of the Hospital based our knowledge of the organization and underlying controls
- Prepare and provide the Hospital with a detailed planning letter outlining items required for the audit
- Review the format and content of the prior year financial statements and make suggestions for changes, where appropriate
- Perform tests of controls and compliance over key areas
- Perform preliminary analytical procedures
- Update our risk assessment
- Develop our audit plan and approach for the substantive and analytical procedures to be applied during fieldwork
- Communicate with management throughout the entire pre-engagement and preliminary process



Phase II: Perform Audit Plan

- Perform our substantive tests and/or analytical procedures of certain account analyses identified in the audit plan
- Make changes to the audit plan based on results of control and substantive testing
- Communicate daily with Management relative to status of open items and any issues/concerns that may arise during the fieldwork portion of the audit
- Confirm that proper accounting principles (GASB) are used and significant estimates appear reasonable
- Identify any potential control deficiencies to be reported to the audit committee and management
- We have identified 3 very specific value add audit steps as part of Phase II:
 - 1.) Payroll and non-payroll allocations - We will review the methodologies in place to allocate payroll and non-payroll expense throughout the Hospital to verify compliance with the applicable standards
 - 2.) Journal entries - We will review adjusting journal entries made throughout the year and at year-end to substantiate the purpose of the adjustment and compliance with the applicable standards
 - 3.) Non-allowable expenses – We will design our tests to confirm that the Hospital has captured non-allowable costs as outlined in applicable standards

SUMMARY OF GENERAL AUDIT PROCEDURES (continued)
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Specific procedures that are performed on each of the entities being audited are as follow (where applicable):

CASH AND CASH EQUIVALENTS

- We will obtain independent confirmations for all bank accounts
- We will review bank reconciliations for accuracy and traced significant and unusual reconciling items to supporting documentation
- We will review the minutes of the Board of Directors meetings

PATIENT ACCOUNTS RECEIVABLE

- We will trace the receivable balances to invoices and other supporting documents
- We will question the collectability of the year-end outstanding balance and examined subsequent collections
- We will send out confirmations, where possible, to support the balances at year end

INVESTMENTS AT FAIR VALUE (if applicable)

- We will obtain all investment statements for the year
- We will compute current year earnings and compare them to market trends
- We will test purchase, sales and market transactions with independent third party managers
- We will confirm investment balances with independent third party managers
- We will note anything unusual or any differences
- We will review the minutes of the Board of Directors meetings

NET PATIENT SERVICES REVENUE, CONTRIBUTIONS AND OTHER REVENUE

- We will review policies and procedures for recognizing revenue related to contracts
- We will review the schedule of contract revenues and, on a test basis, will trace the recorded amount to the award letter and/or contract
- We will trace, on a test basis, the amounts presented in the programmatic income statement to supporting documentation in the form of vouchers and/or supporting invoices

SUMMARY OF GENERAL AUDIT PROCEDURES (continued)**NET POSITION**

- We will obtain schedules for each class of net assets.
- We will review significant transfers made between asset classes.
- We will trace significant and unusual additions and disbursements to supporting documentation.
- We will review donor letters and agreements for restricted funds to verify proper classification of net assets.
- We will review the minutes of the Board of Directors meetings.

ANALYTICAL REVIEW

- We will compare the 2023 balances to the 2022 balances and obtained explanations for significant variances.

COMMITMENTS AND CONTINGENCIES

- We will review the minutes of the Board of Directors meetings and obtained confirmations from legal counsel regarding claims, assessments, and litigation. There were no matters noted that are expected to have a material adverse effect to the Hospital.

INFORMATION SYSTEMS

- We will review the general controls and information systems used by the Hospital
- We will perform walkthrough procedures for the Hospital's major processes.
- We will discuss internal control related deficiencies and recommendations with management.

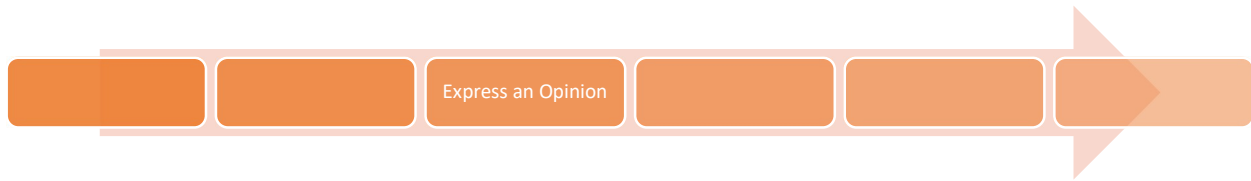
FINANCIAL STATEMENT DISCLOSURES

- We will review the adequacy of the financial statement disclosures with management.

STATEMENT OF AUDITING STANDARDS (SAS), CONSIDERATION OF FRAUD IN A FINANCIAL STATEMENT

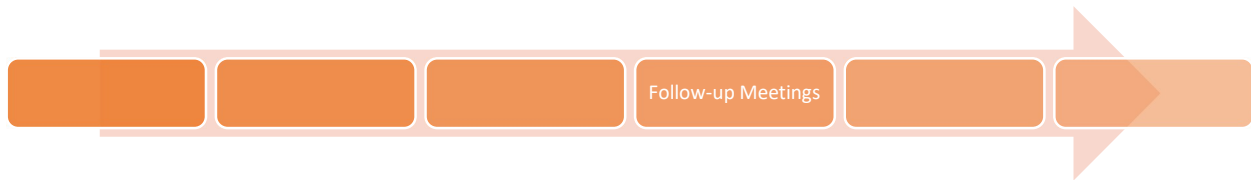
AUDIT – SAS requires audit firms to increase their procedures in an effort to detect instances of fraud during a financial statement audit.

- We will conduct a “brainstorming session” among the engagement team members to discuss the potential for material misstatement due to fraud.
- We will exercise professional skepticism while performing the audit.
- We will make inquiries of management and others within the Hospital to increase the likelihood of fraud detection.
- We will expand our use of analytical procedures while planning and performing the audit to identify risks of material misstatement due to fraud.
- We will consider the risk of management override of internal control.
- We will communicate material misstatements and internal control deficiencies found to management.



Phase III: Express an Opinion on the Financial Statements and Reporting to those Charged with Governance

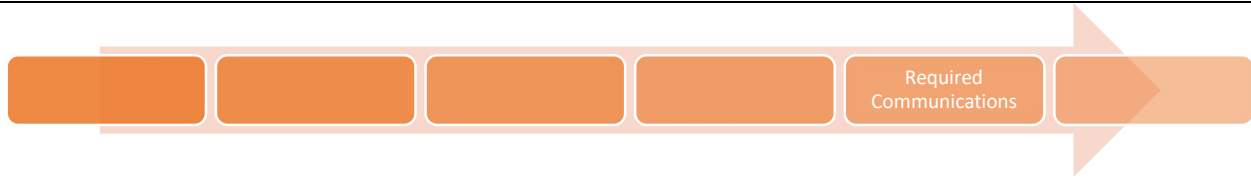
- Obtain the year-end draft financial statements from the Hospital
- Audit the draft financial statement exhibits and notes
- Draft the AU-C 260 letter - “The Auditor’s Communication with those Charged with Governance”
- Draft the AU-C 265 letter - “Communicating Internal Control Related Matters Identified in an Audit”
- Present the audit results at the exit conference with Management
- Present the audit results to the Audit Committee and/or Board of Directors
- Present the audit results to the Board of Directors
- Issue “final” financials statements and AU-C 260 and 265 letters



Phase IV: Meet with Management and the Audit Committee

- Schedule our quarterly meetings, we will meet as requested with Management, the Audit Committee, and/or the Board of Directors

Phase IV: REQUIRED COMMUNICATIONS – INTERNAL CONTROL OVER FINANCIAL REPORTING AND OTHER RECOMMENDATIONS TO MANAGEMENT



We are required to communicate, in writing, to those charged with governance all material weaknesses and significant deficiencies that have been identified in the Hospital’s internal controls over financial reporting. The definitions of material weakness, significant deficiencies and control deficiencies follow:

Category	Comments
Material Weakness	A deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the company's financial statements will not be prevented, or detected and corrected on a timely basis.
Significant Deficiency	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.
Control Deficiency	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 misstatements on a timely basis.

We will report our finding to management based on the above category classifications. If the situation presents itself, whereby the finding is severe in nature, and in our professional opinion, we will report directly to the audit and compliance committee. Under all other circumstances, we will evaluate the finding(s) with management and develop our report which would include our observations, findings and we will provide our suggested recommendations.



Phase IV: Meet with Management and the Audit Committee

- Discussion about next steps to be more effective and more efficient for the follow audit, 2024.

INDEPENDENCE COMMUNICATION

Our engagement letter describes our responsibilities in accordance with professional standards and certain regulatory authorities with regard to independence and the performance of our services. This letter also stipulates that we are independent and our policies and procedures are designed to provide reasonable assurance that our firm and its personnel comply with applicable professional independence standards. Our policies address financial interests, business and family relationships, and nonaudit services that may be thought to bear on independence. For example, our staff are not permitted to have any direct financial interest or a material indirect financial interest in a client or any affiliates of a client, with prior written consent of our managing director and executive committee. In addition, immediate family member or close relative of our staff is employed by a client in a key position, the incident must be reported and resolved in accordance with Firm policy. In addition, professional standards restrict certain nonaudit services that may be provided by Armanino LLP and require audit clients to accept certain responsibilities in connection with the provision of permitted non-attest services.

THE CONCEPT OF MATERIALITY IN PLANNING AND EXECUTING THE AUDIT

In planning the audit, the materiality limit is viewed as the maximum aggregate amount, which if detected and not corrected, would cause us to modify our opinion on the financial statements. The materiality limit is an allowance not only for misstatements that will be detected and not corrected but also for misstatements that may not be detected by the audit. Our assessment of materiality throughout the audit will be based on both quantitative and qualitative considerations. Because of the interaction of quantitative and qualitative considerations, misstatements of a relatively small amount could have a material effect on the current financial statements as well as financial statements of future periods. At the end of the audit, we will inform you of all the proposed and recorded entries and the individual unrecorded misstatements aggregated by us in connection with our evaluation of our audit test results.

USING THE WORK OF INTERNAL AUDITORS

In accordance with gaining an understanding of the Hospital, we are required to inquire and document our understanding of your internal audit function. We will obtain a summary report of all the report prepared by your internal audit department and determine if there is any evidence that would support the potential error or fraud that would require a response when designing our audit procedures. Internal auditors are also employees of the Hospital, and as such, are not independent of the Hospital, and therefore their work cannot replace the work of an external auditor. We may, however, alter the nature, timing, and extent of our audit procedures, based upon the results of the internal auditor's work or use them to provide direct assistance to us during the performance of our audit.

Armanino overview

CORE PURPOSE

To be the **most innovative** and **entrepreneurial** firm that makes a **positive impact** on the lives of our **clients**, our **people** and our **communities**.

SNAPSHOT

- 2,000+ Employees
- Team Members in 26 States
- 19th Largest CPA & Consulting Firm in the Nation
- Growing >20%/yr



Affiliate Companies



LOCATIONS



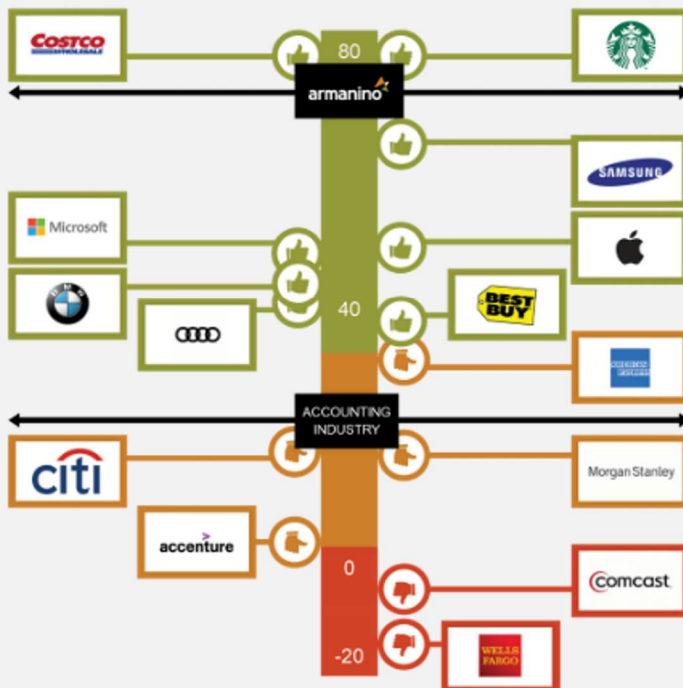
- San Ramon, CA
- San Jose, CA
- San Francisco, CA
- Folsom, CA
- Los Angeles, CA (2)
- Irvine, CA
- El Segundo, CA
- Woodland Hills, CA
- San Luis Obispo, CA
- Chicago / Naperville, IL
- New York City
- Dallas, TX
- Seattle, WA
- Boise, ID
- Denver, CO
- Vancouver, Canada

RECOGNITION & AWARDS



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Client Satisfaction



NET PROMOTER SCORE

- > Score that is 3X industry average
- > Received last 5 years in a row

SCORE DRIVERS

- > Responsiveness
- > Quality & Value
- > Understanding our clients' needs
- > Proactively helping our clients

We are committed to women's advancement...

**WOMEN'S
ADVANCEMENT
NETWORK**

Launched in 2016

Recognizing the disparity between the number of male and female executives, Armanino has made a concerted effort to recognize, encourage and support women in a path to Leadership.

**International
Women's Day**

Annually, Armanino hosts this special event in every office. Staff, clients, local colleges and associations are invited to attend.

Launched in 2018

**Executive Access
Program**

This program connects high potential female managers directly with firm executives to promote and drive career advancement.

31%

percent of individuals promoted to Firm Partner, over the last four years, have been women

...and diversity and inclusion

**NATIONAL
CEO PLEDGE**

**TO ACT ON
DIVERSITY AND
INCLUSION!**

CEO Matt Armanino signed the *CEO Action for Diversity and Inclusion Pledge* this year and is rolling out our new **Diversity and Inclusion** initiative

Nationally ranked as best Accounting firm to work for

<p style="font-size: 2em; font-weight: bold;">#9</p> <p>Minorities</p>	<p style="font-size: 2em; font-weight: bold;">#9</p> <p>LGBT</p>
<p style="font-size: 2em; font-weight: bold;">#19</p> <p>Women</p>	<p style="font-size: 2em; font-weight: bold;">#11</p> <p>Overall Nationwide</p>



Armanino Services Overview

CONSULTING

CFO Advisory

- Financial Management
 - Financial Reporting
 - Audit Preparation
 - Interim Finance Management
 - Post transaction integration
 - Financial Analysis
 - Forecasting & Budgeting
 - IPO Readiness
 - Technical Accounting
- Valuations
- Equity Management
- Transaction Advisory Services
- Fraud and Forensics

Business Outsourcing Services

- Transactional Processing
- Financial Reporting
- Monthend Close
- Interim Financial Management
- Corporate Finance & Restructuring
- HR & Executive Search

Software Solutions

- Implementation Services
- Customization & Integration
- Support & Training
- Solutions
 - Enterprise Resource Planning (ERP)
 - Customer Relationship Management (CRM)
 - Budgeting, Planning & Forecasting
 - Equity Management Solutions
 - Procure-to-Pay
 - Business Intelligence (BI)

Management Advisory

- Assessments & Roadmaps
- Business Process Improvement
- Software Selection & Utilization
- Business & Technology Roadmap
- Business Transformation
- Benchmarking
- Program Management

BLOCKCHAIN & DIGITAL ASSETS

AUDIT

- Financial Statement Audits
- Financial Statement Reviews
- Agreed-Upon Procedures
- Compilations
- Revenue Recognition Planning
- Benefit Plan Audits
- SEC Audits

TAX

- Tax Provision
- International Tax
- Transfer Pricing
- State & Local Tax
- Sales & Use Tax
- Stock Option Accounting (123R) & Complex Tax Data Analysis
- R&D Credit Studies
- Net Operating Loss Limitation Analysis (Section 382)
- M&A Consulting & Due Diligence
- Pre-IPO Tax Consulting
- SEC Tax Compliance & Strategy

RISK ASSURANCE & ADVISORY

- Business Continuity Planning & Management
- Cybersecurity & Privacy Services
- Contract Compliance Audits
- HITRUST Certification Services
- Enterprise Risk Management
- Internal Audit
- ISO 27001
- SOC Audit & SOC Compliance
- SOX Compliance
- Third-Party Assurance & Vendor Risk Management

WEALTH ADVISORY

- Individual Tax Planning
- Succession Planning
- Trust & Estate Planning
- International Tax Consulting
- Collaborative Divorce
- Family Office Services
- Wealth Management (Intersect)



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