SVHCD FINANCE COMMITTEE MEETING

AGENDA

TUESDAY, December 19, 2023

6:00 p.m. Regular Session

To Be Held in Person at
Sonoma Valley Hospital, 347 Andrieux Street
Administrative Conference Room
Sonoma, CA 95476
and Via Zoom Videoconference

Join Zoom Meeting
https://sonomavalleyhospital-org.zoom.us/j/91020973508
Meeting ID: 910 2097 3508
One tap mobile
+16692192599,,91020973508#
+16699009128,,91020973508#
Dial by your location
+1 669 219 2599

AGENDA ITEM	RECOMMENDATION	
In compliance with the Americans with Disabilities Act, if you require special accommodations to attend a District meeting, please contact the Interim Board Clerk, Stacey Finn, at sfinn@sonomavalleyhospital.org or 707.935.5005 at least 48 hours prior to the meeting.		
MISSION STATEMENT *The mission of the SVHCD is to maintain, improve, and restore the health of everyone in our community.*		
1. CALL TO ORDER/ANNOUNCEMENTS	*Boerum*	
2. PUBLIC COMMENT SECTION *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 Board 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 Board consideration.*	*Boerum*	
3. CONSENT CALENDAR a. Finance Committee Minutes 11.08.23	*Boerum*	Action
4. FISCAL YEAR 2023 AUDIT STATEMENTS REVIEW	*Armfield*	Inform
5. US BANK PROPOSAL UPDATE	*Armfield*	Inform/Action
6. 2024 FINANCE COMMITTEE WORKPLAN	*Lee*	Inform
7. ODC UPDATE	*Hennelly*	Inform

8. FINANCIAL REPORT FOR MONTH END NOVEMBER 2023	*Armfield*	Inform
9. ADJOURN	*Boerum*	

SVHCD

FINANCE COMMITTEE MEETING

MINUTES

TUESDAY, NOVEMBER 28, 2023

In Person at Sonoma Valley Hospital

347 Andrieux Street

and Via Zoom Teleconference

Present	Not Present/Excused	Staff	Public
Wendy Lee Myatt in person Bob Crane via Zoom Ed Case In person Subhash Mishra, MD, via Zoom Catherine Donahue, via Zoom Peter Hohorst in person Graham Smith via Zoom	Carl Gerlach Bill Boerum	John Hennelly, CEO, in person Ben Armfield, CFO, in person Dawn Kuwahara, via Zoom	Art Grandy

AGENDA ITEM	DISCUSSION	ACTIONS	FOLLOW-UP
MISSION & VISION STATEMENT *The mission of SVHCD is to maintain, improve and restore the health of everyone in our community.*			
1. CALL TO ORDER/ANNOUNCEMENTS	*Lee Myatt*		
	Called to order at 6:02 p.m.		
2. PUBLIC COMMENT SECTION	None		
3. CONSENT CALENDAR	*Lee Myatt*	Action	
a. Finance Committee Minutes 10.24.23		**MOTION:** by Mr. Crane to approve, 2nd by Mr. Case All in favor	
4. STRATEGIC PLAN TO CHFFA	*Armfield*	Inform	
	Mr. Armfield presented the Distressed Hospital Loan Program Turnaround Plan. The plan includes: • A 24 month cash flow projection of current financial situation.		

	• Narrative describing actions being taken or to be taken by leadership including whether to cut or eliminate any services. • A 24 month cash flow projections of future financial situation that incorporates the actions taken by leadership and identifies how the loan proceeds will be utilized and repaid after the 18 month grace period. • A description of how actions will affect various revenue and expense line items.		
5. BANKING RELATIONSHIPS UPDATE	*Armfield*	Inform	
	Mr. Armfield spoke about the current line of credit with US Bank coming to maturity in January. He reported that there will be a meeting on Dec. 6 to go over a proposal for continuing the relationship with US Bank. Mr. Armfield will bring the proposal to the committee with terms and details in December for approval.		
6. 2024 FINANCE COMMITTEE WORKPLAN	*Lee Myatt*	Inform/Action	
	Ms. Lee Myatt presented the 2024 Finance Committee work plan. The plan includes more focused topics for the meetings. There was also a recommendation to have ten meetings a year, removing June and December meetings. The decrease in meeting frequency will require Board approval and a revision of the Bylaws. Some items are recommended to transfer to the Audit Committee. Recommendation to combine the Finance and Audit Committee will be reviewed with the Audit Committee and the Board. Note: If the decision is to keep the Audit Committee and Finance Committee separate, the auditors should attend a Finance Committee meeting. Mr. Smith suggested an addition of system review and cyber security review to the work plan. Recommendation to move the Line of Business Profile and revenue analysis to January. The November financials should be added to the January schedule. Ms. Lee Myatt will make the recommended revisions and present them to the Audit Committee for further input. The work plan will be presented to the Board for approval in January.		.
7. ODC UPDATE	*Hennelly*	Inform	

	Mr. Hennelly reported that there are no major items to update.		
8. UCSF AFFILIATION UPDATE	*Hennelly*	Inform	
	Mr. Hennelly spoke about the recruitment of a new Orthopedic surgeon. There are currently three applicants being interviewed.		
9. FINANCIAL REPORT FOR MONTH END SEPTEMBER 2023	*Armfield*	Inform	
	Mr. Armfield reported that the October performance delivered mixed results and followed a similar pattern in the past months. Octobers operating margin of ($1,001,536) was unfavorable to out budget of ($516,178), missing the target by $485,358. Much of this is related to specific surgeons being out during the month. The expectation is that this will resolve with the surgeons back on service. The expectation is that performance will exceed the prior years by a significant margin. Mr. Armfield spoke about the plan to reduce supply costs. There was an IGT payment made this month that impacted cash. He said overall he expects the year end to show a positive turnaround.		
10. ADJOURN	*Lee Myatt*		
	Meeting adjourned at 6:44 p.m.		

SONOMA VALLEY HOSPITAL
SONOMA VALLEY HEALTH CARE DISTRICT
AN AFFILIATE OF UCSF HEALTH

Presentation to the Audit Committee

June 30, 2023 Audit Results

Contents

Audit Highlights

Audit Highlights

- Opinions (Financial Statements and Single Audit)
  - Unmodified Opinion – Financial Statements
  - Unmodified Opinion – Schedule of Expenditures of Federal Awards and Compliance with Requirements of Major Federal Award Programs
- Single Audit
  - Major Program – Provider Relief Fund General Distributions and American Rescue Plan (ARA) Rural Payments
  - SEFA reported on for year-end June 30, 2023 is based upon HHS requirements for PRF payments received in Period 4: July 1, 2021 – December 31, 2021
  - No Material Weaknesses of Significant Deficiencies over Internal Controls over Financial Reporting or Compliance
- Patient A/R, net;
  - Conversion in FY 2023 to Epic required additional review and analysis over A/R contractual allowances
- Adoption of GASB 96; Subscription-based Information Technology Arrangements
  - Recognized right-to-use assets of $4,827,627 and liabilities of $2,818,374 as of June 30, 2023
  - Epic and Paragon IT contracts

Audit Highlights, continued

- Capital assets and CIP activity
  - Completion of Epic implementation and Phase 1 of ODC

Overview of Financial Statements

Overview of Financial Statements

STATEMENTS OF NET POSITION HIGHLIGHTS	2023
Total Assets – Overall increase of $4.2M (5%) from 2022 to 2023	
Decrease in cash	($ 3.0M)
Increase in patient accounts receivable, net	$ 2.5M
Increase in right-to-use subscription assets, net	$ 4.8M
Total Liabilities – Overall increase of $3.2M (6%) from 2022 to 2023	
Increase in notes payable	$ 2.7M
Decrease for bond, notes and LOC payments made	($2.7M)
Increase in right-to-use liabilities	$2.8M
Total Net Position – Overall increase of $1.1M from 2022 to 2023	
Increase in Unrestricted net position	$1.1M

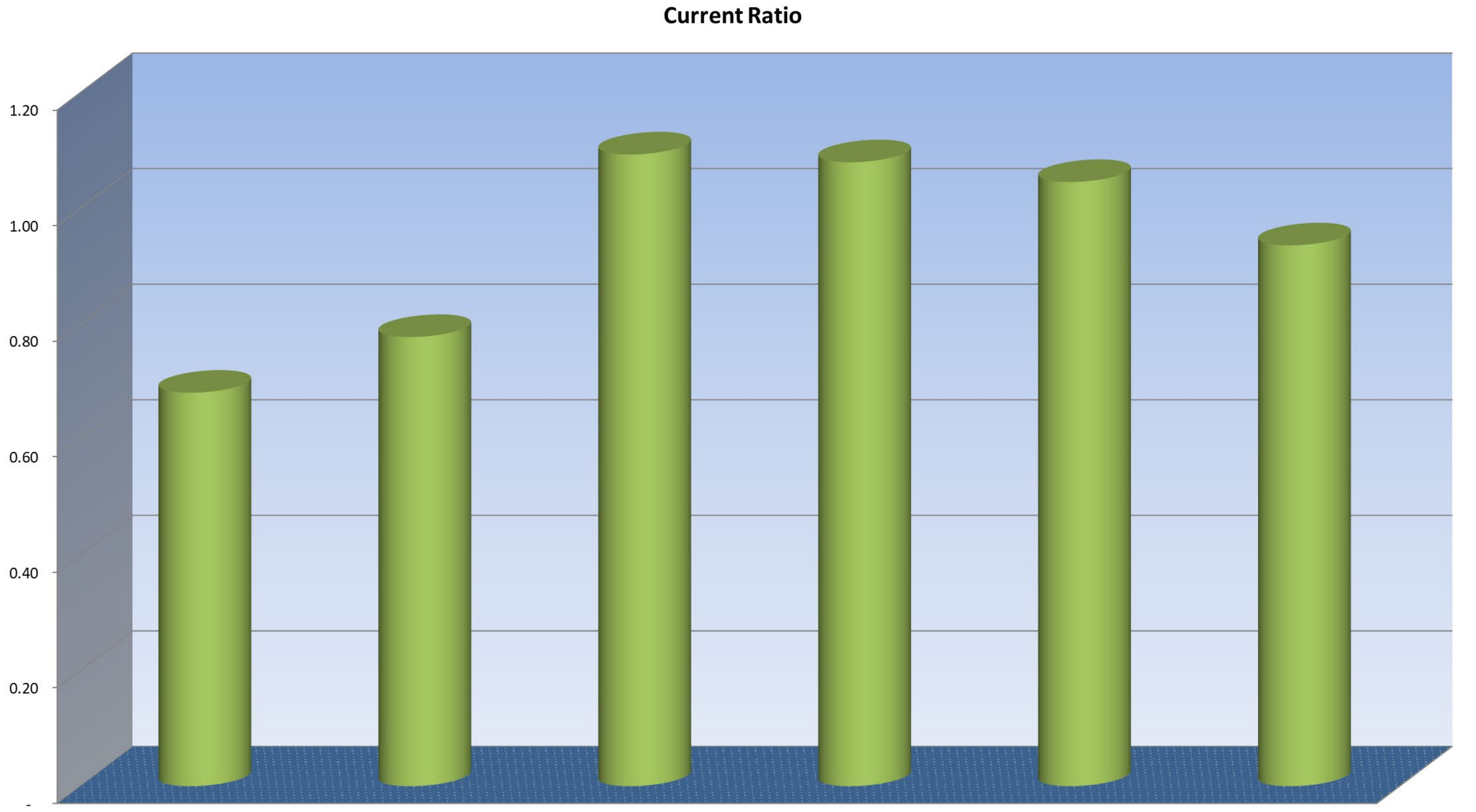
Overview of Financial Statements (continued)

STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION HIGHLIGHTS	2023
Total Operating Revenues – Overall increase of $4.3M (9%) from 2022 to 2023	
Increase in net patient service revenue	$ 4.3M
Total Operating Expenses – Overall increase of $4.9M (8%) from 2022 to 2023	
Increase in salaries and wages	$ 1.6M
Increase in depreciation and amortization	$ 1.5M
Total Non-Operating - Overall decrease of $1.0M from 2022 to 2023	
Decrease in Provider Relief Funds	($1.4M)
Total Change in Net Position for 2023	$1.1M
Total Change in Net Position for 2022	$600K

Overview of Financial Statements (continued)

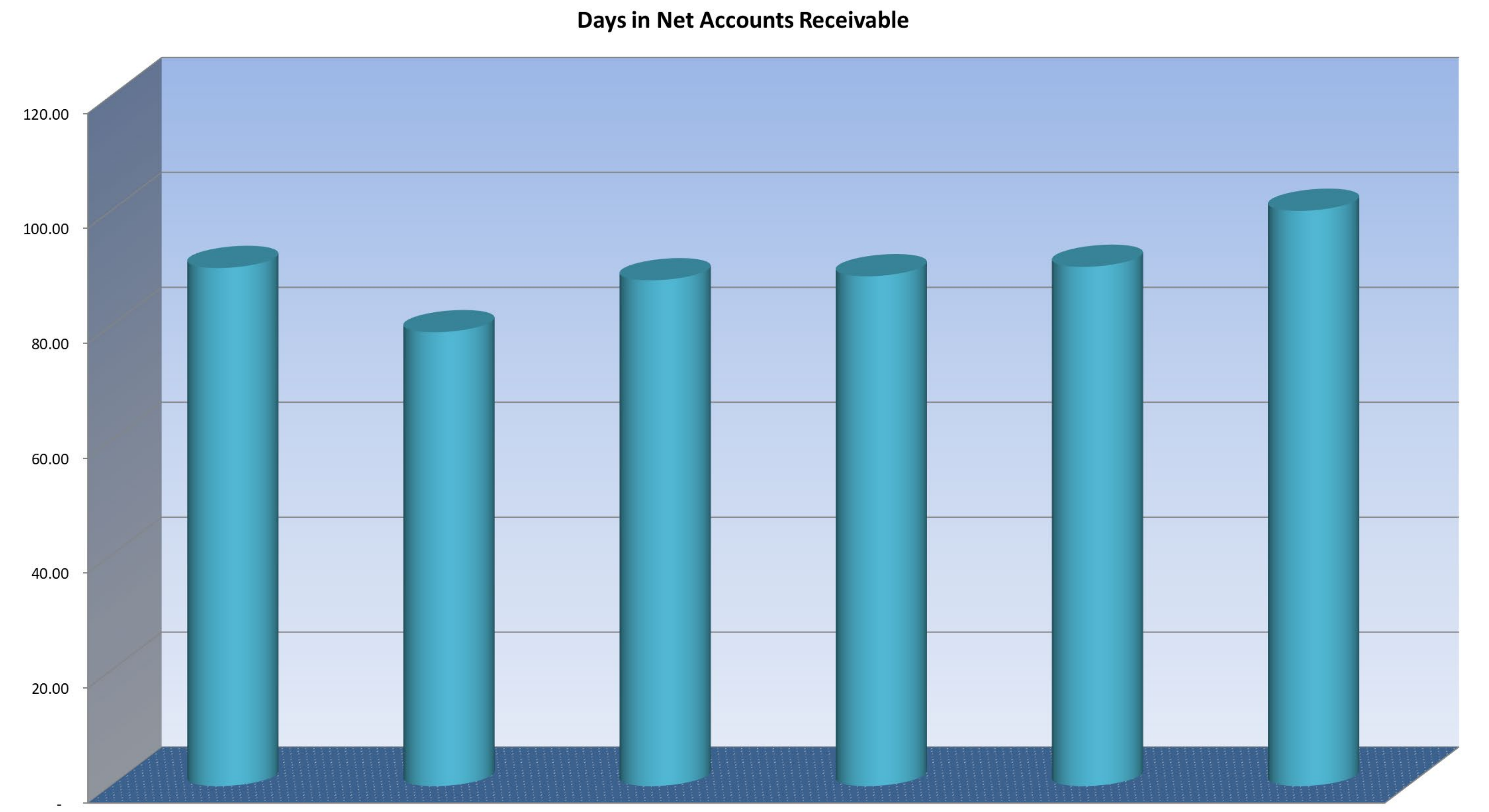
STATEMENTS OF CASH FLOWS HIGHLIGHTS	2023
Total Cash and cash equivalents – Overall decrease of $3.0M from 2022 to 2023	
Cash used in operating activities	($6.0M)
Cash provided by noncapital financing activities	$4.9M
Cash used in capital financing activities	($2.0M)

Financial Ratio Trends



	2018	2019	2020	2021	2022	2023
Current Ratio	0.68	0.78	1.09	1.08	1.05	0.94

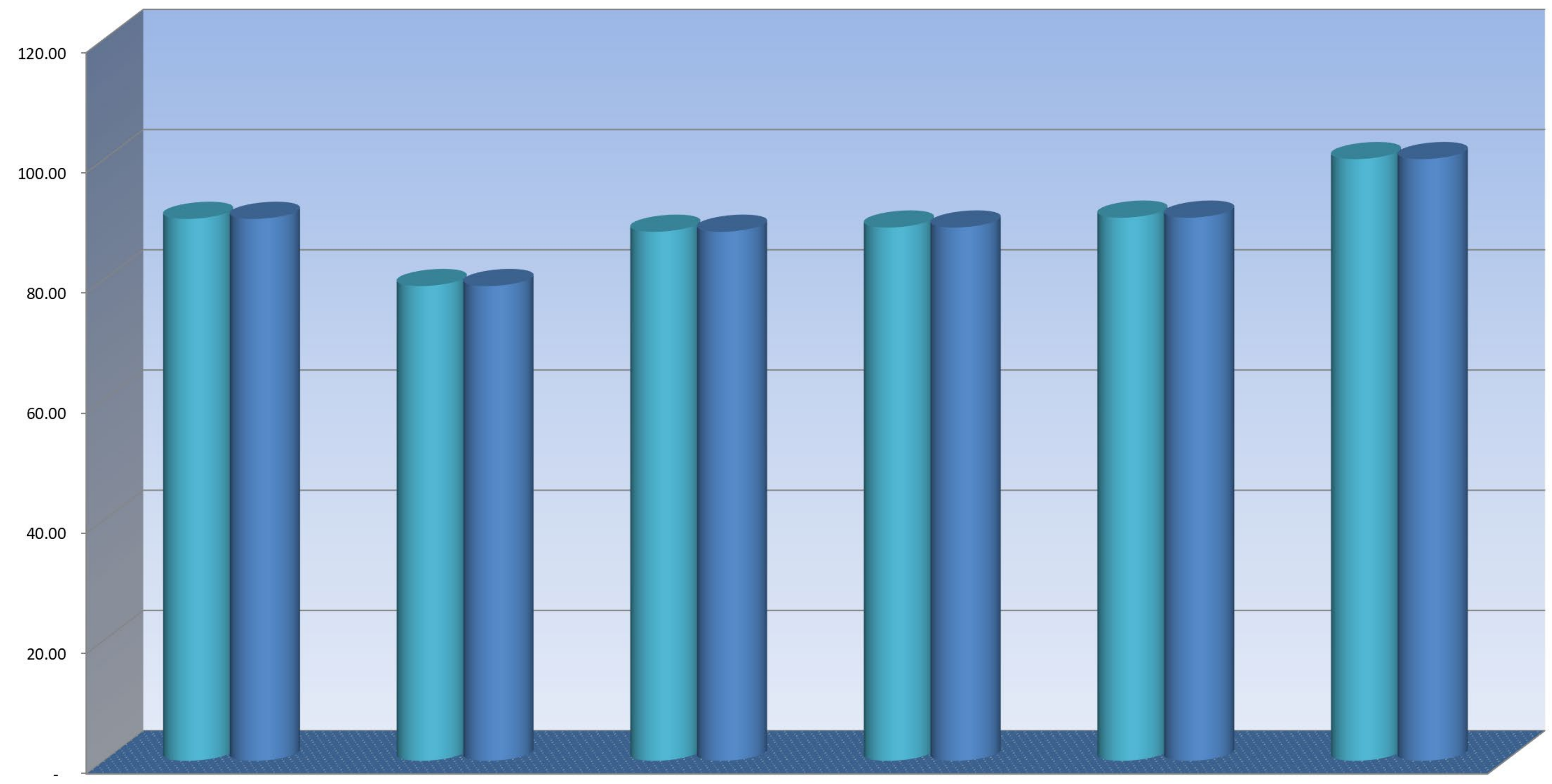
Financial Ratio Trends



	2018	2019	2020	2021	2022	2023
Days in Net A/R	90.16	78.98	88.01	88.72	90.36	100.10

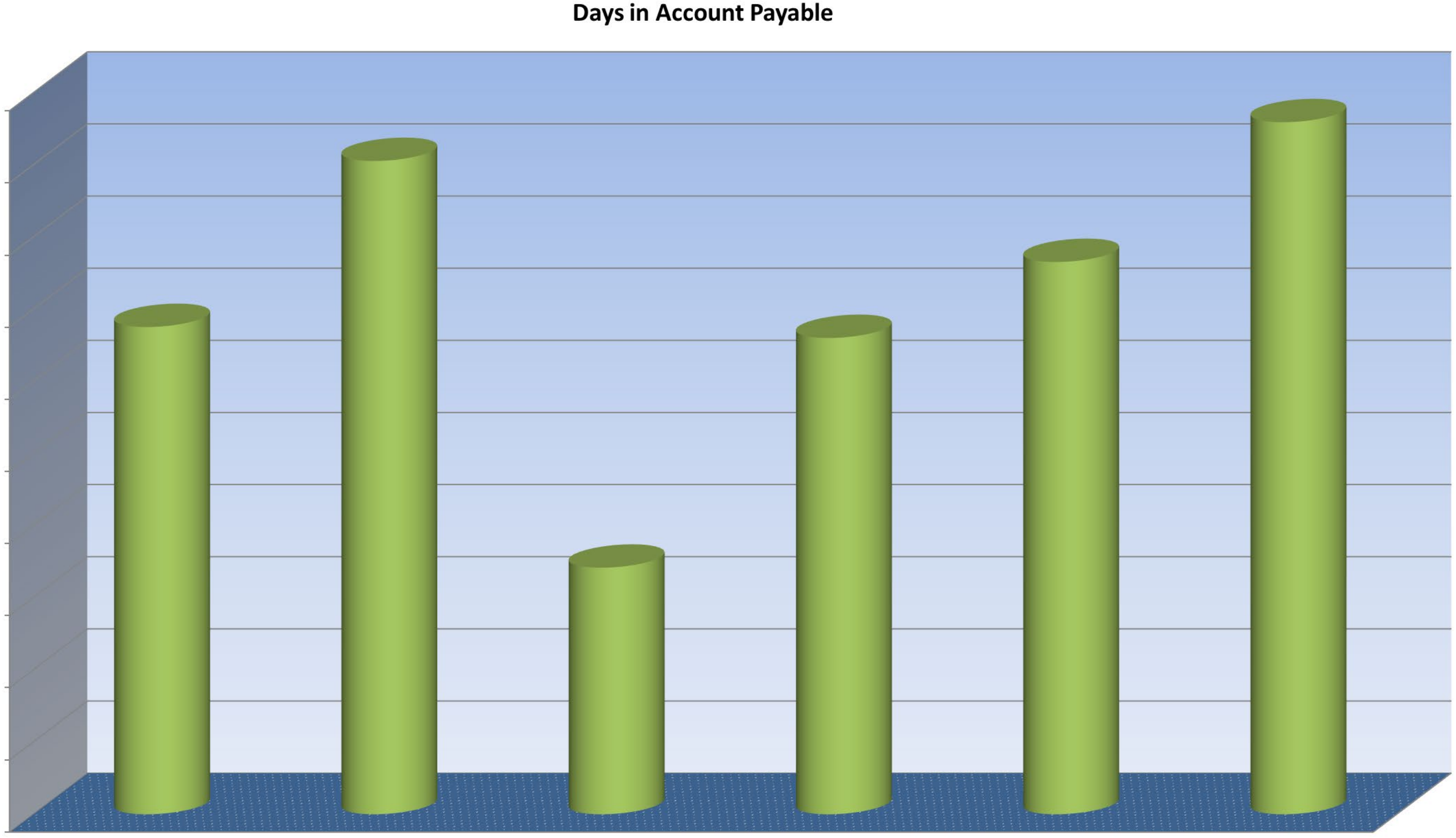
Financial Ratio Trends

Days in Gross and Net Accounts Receivable



	2018	2019	2020	2021	2022	2023
Days in Net A/R	90.16	78.98	88.01	88.72	90.36	100.10
Days in Gross A/R	90.16	78.98	88.01	88.72	90.36	100.10

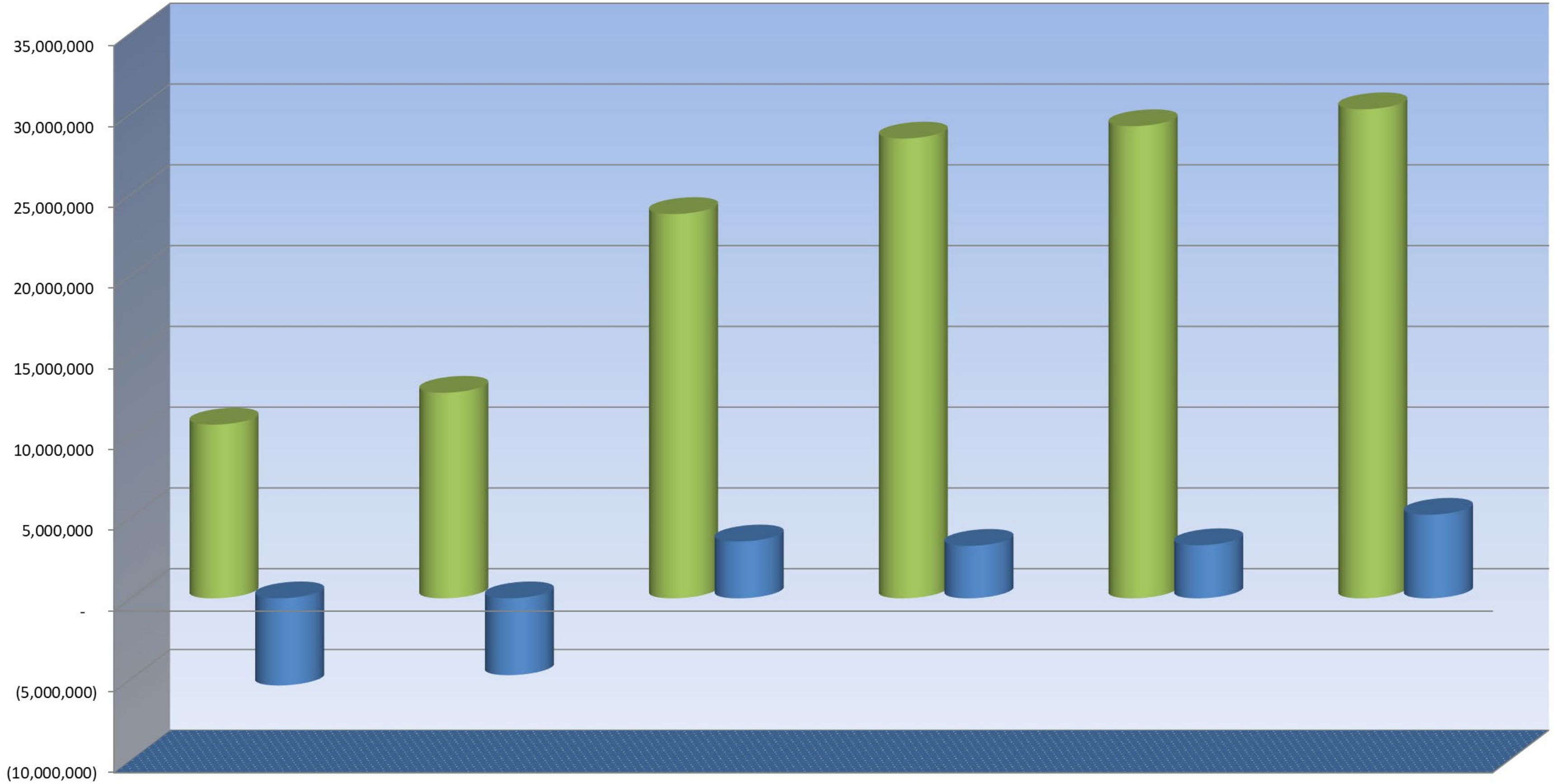
Financial Ratio Trends



	2018	2019	2020	2021	2022	2023
Days in Account Payable	77.51	82.11	70.84	77.21	79.31	83.19

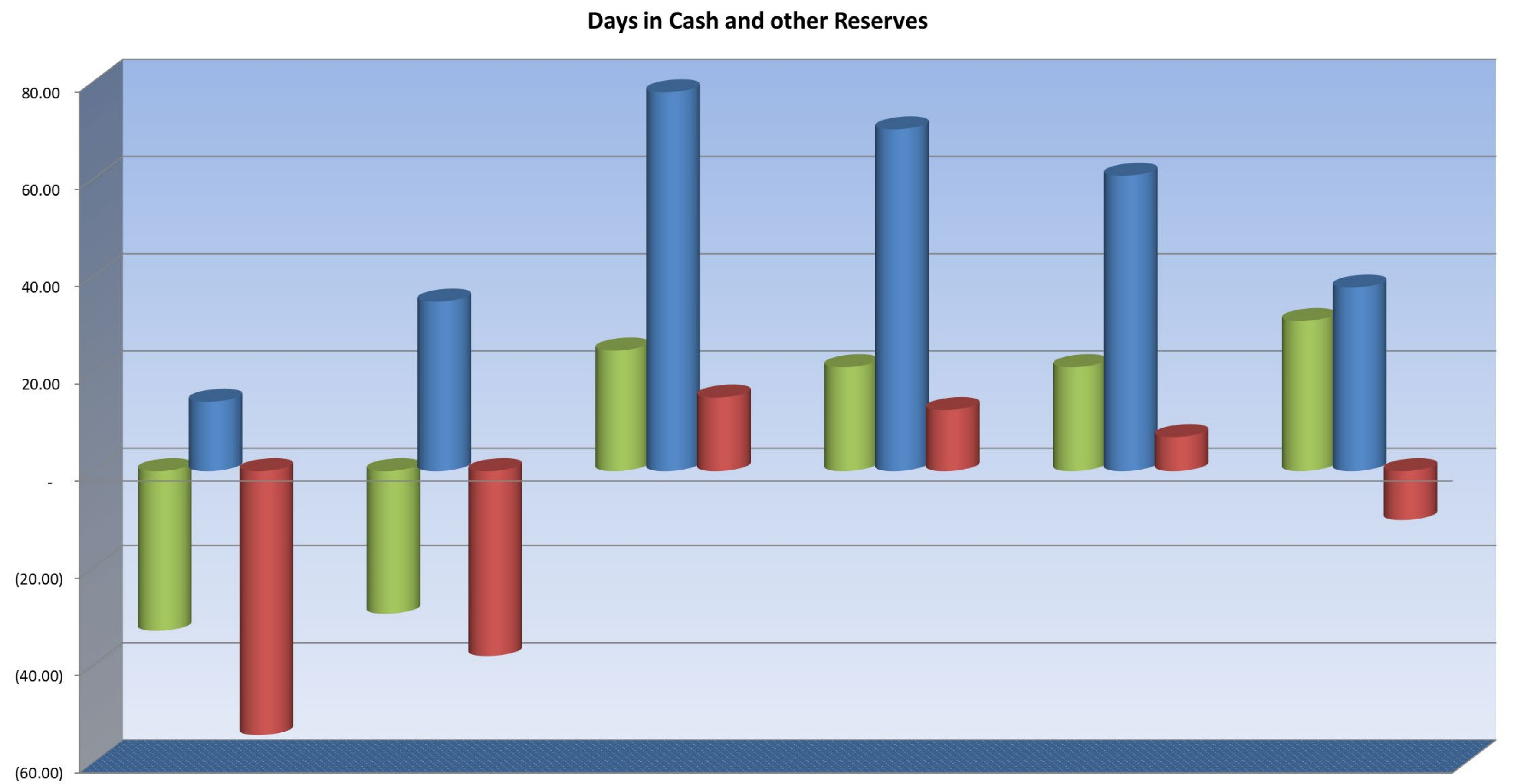
Financial Ratio Trends

Composition of Net Position



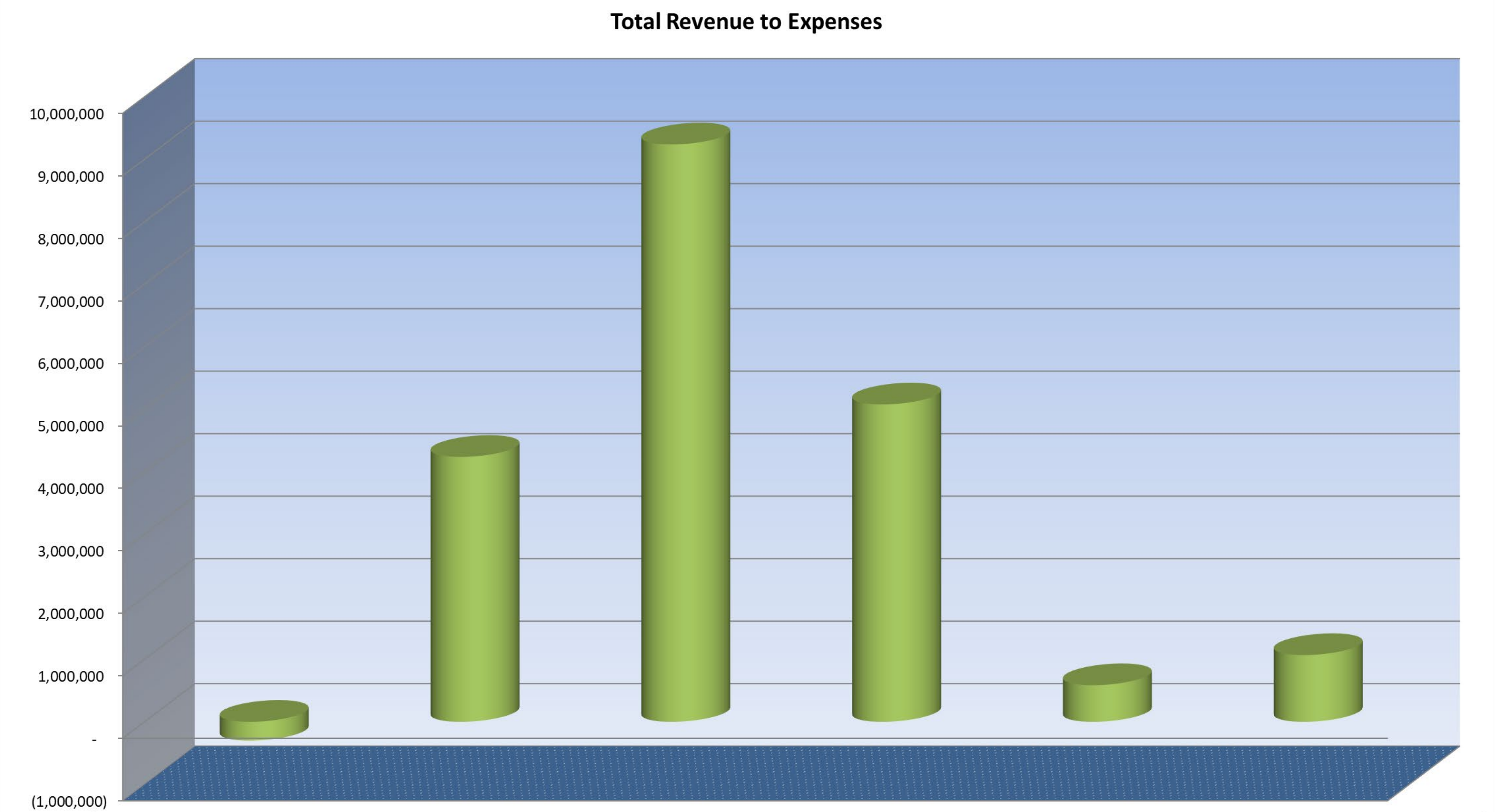
	2018	2019	2020	2021	2022	2023
Without donor restrictions	10,752,334	12,725,601	23,788,636	28,459,412	29,225,436	30,273,809
Net assets available for operations	(5,391,602)	(4,754,466)	3,518,841	3,247,768	3,286,732	5,171,286

Financial Ratio Trends



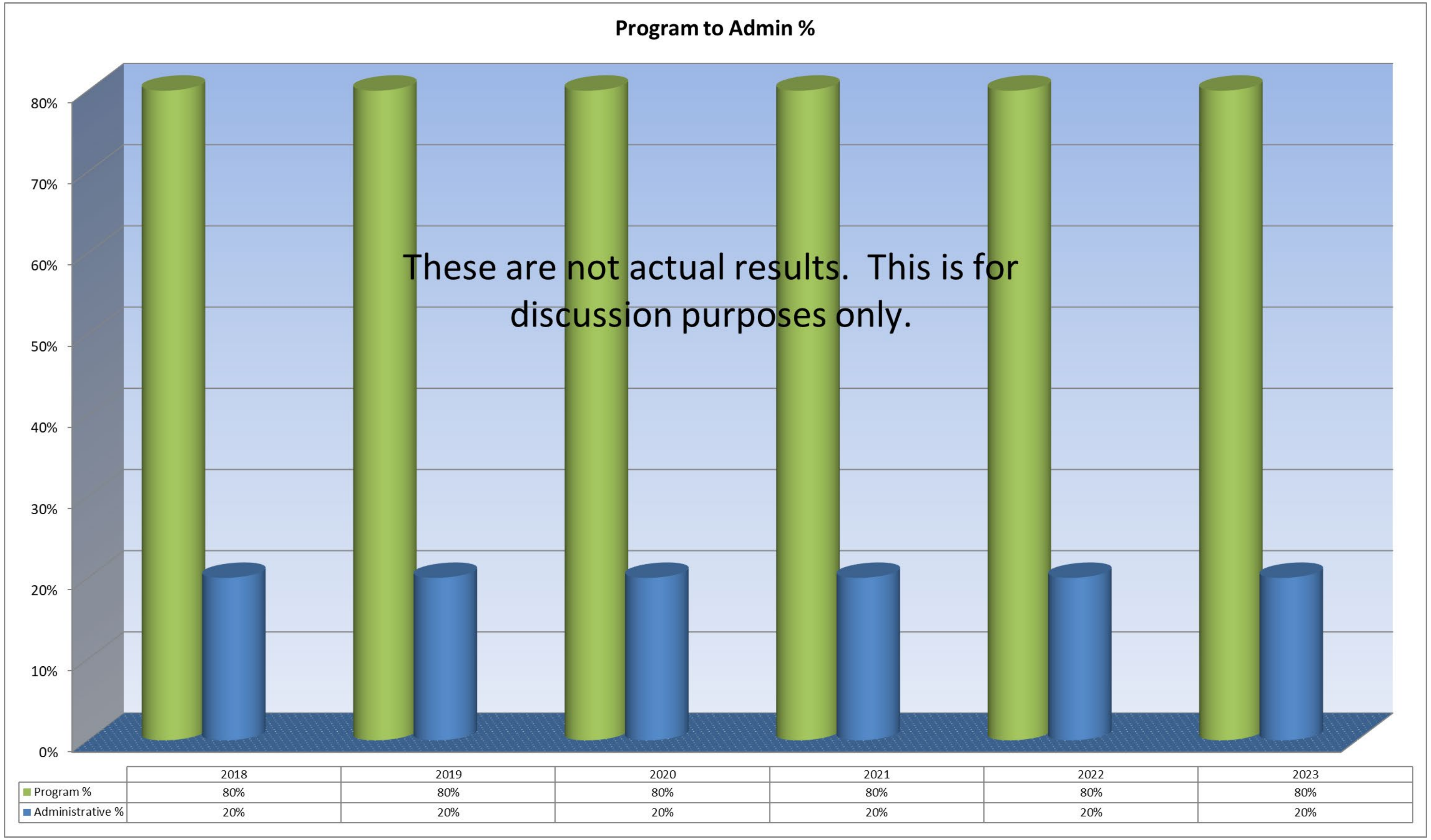
	2018	2019	2020	2021	2022	2023
Days in Reserve	(32.84)	(29.33)	24.80	21.37	21.38	30.87
Days in Cash	14.27	34.87	77.91	70.29	60.74	37.75
Days in Working Capital	(54.26)	(38.02)	15.14	12.56	7.00	(10.06)

Financial Ratio Trends

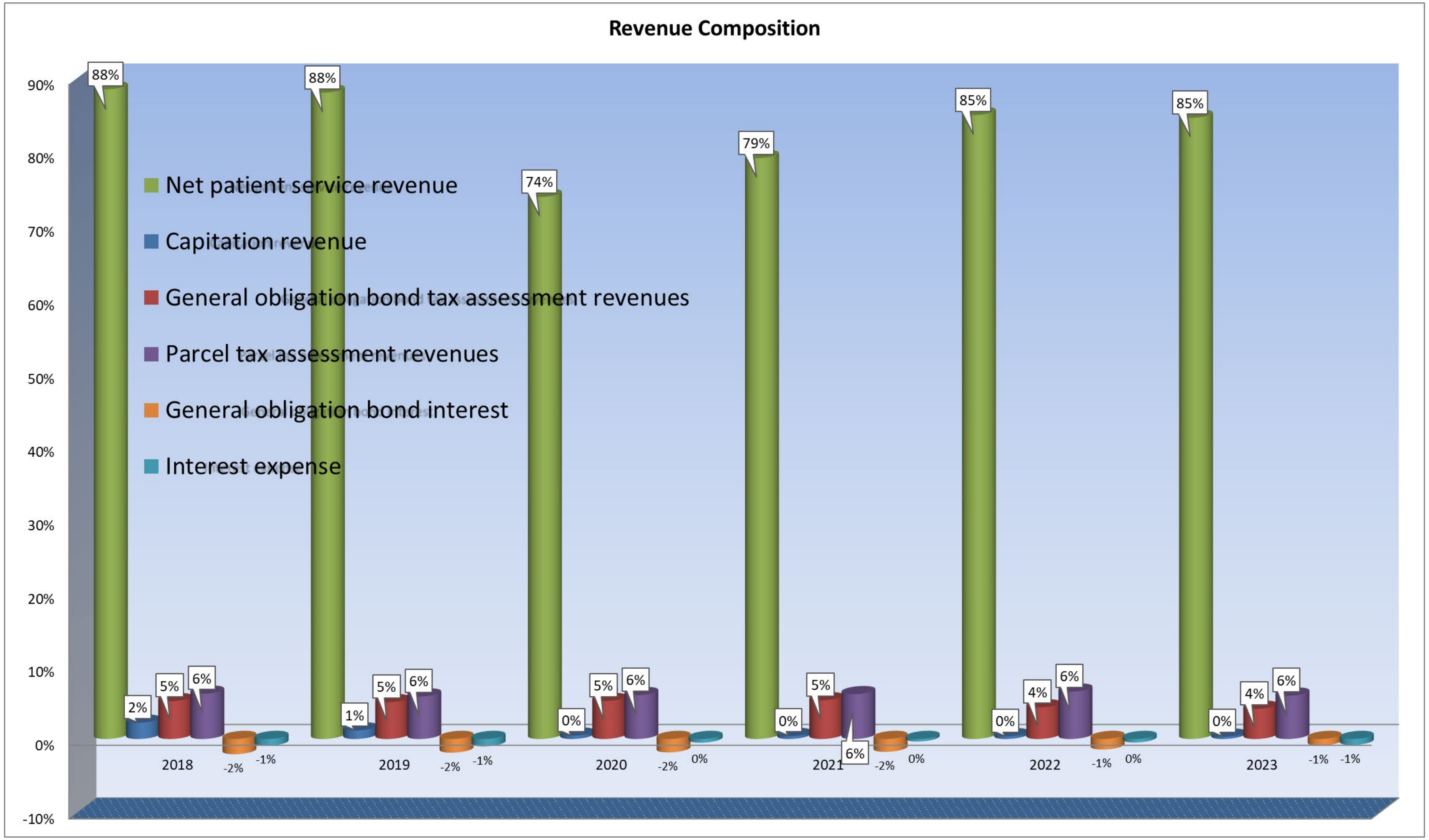


	2018	2019	2020	2021	2022	2023
Net income	(299,835)	4,238,453	9,237,650	5,077,642	585,671	1,067,750

Financial Ratio Trends



Financial Ratio Trends



Required Communications and Internal Control

Communication with Governance

- Auditor Responsibilities
- Planned Scope and Timing
- Significant Accounting Policies
  - Included in FN2 to the financial statements
  - GASB 96, Subscription-based Information Technology Arrangements
- Significant Accounting Estimates
  - Patient receivable contractual allowances and allowance for bad debts
  - Estimated useful lives of property and equipment, depreciation
  - Interest rates used for lease and subscription liabilities

Communication with Governance (continued)

- Significant Disclosures
  - Note 2: Summary of Significant Accounting Policies
  - Note 3: Affiliation with USCF Health
  - Note 5: Net Patient Service Revenues
  - Note 6: Federal Grants – Provider Relief Funds
  - Note 10: Capital Assets
  - Note 11: Right-of-Use Lease Assets
  - Note 12: Lease Obligation Liabilities
  - Note 13: Right-to-Use Subscription Assets
  - Note 14: Right-to-Use Subscription Liabilities
  - Note 15: Line of Credit
  - Note 16: Long-Term Debt

Communication with Governance (continued)

- Uncorrected Misstatements
  - All misstatements were corrected
- Corrected Misstatements
  - Increase to contractual allowance for patient accounts receivable due to Epic conversion in FY 2023 - $500k
  - Adjustment to reduce CIP for assets placed in service during FYE 2023; Epic and Phase 1 of the ODC project - $9.1M from CIP to Building ($6.1M for ODC) and Subscription asset ($3.0M for Epic)
  - Adjustments to record right-of-use subscription-based assets and liabilities under GASB 96
  - Financial statement reclassifications and client accommodation entries
- No Disagreements with Management
- No Consultation with Other Accountants

Internal Controls

- Material Weakness
  - None noted
- Significant Deficiencies
  - None noted
- Other Matters
  - Continue monitoring net patient receivable collections and determination of required contractual allowance adjustments throughout the current year.

Other Considerations

What Questions Do You Have?

Armanino CPA LLP

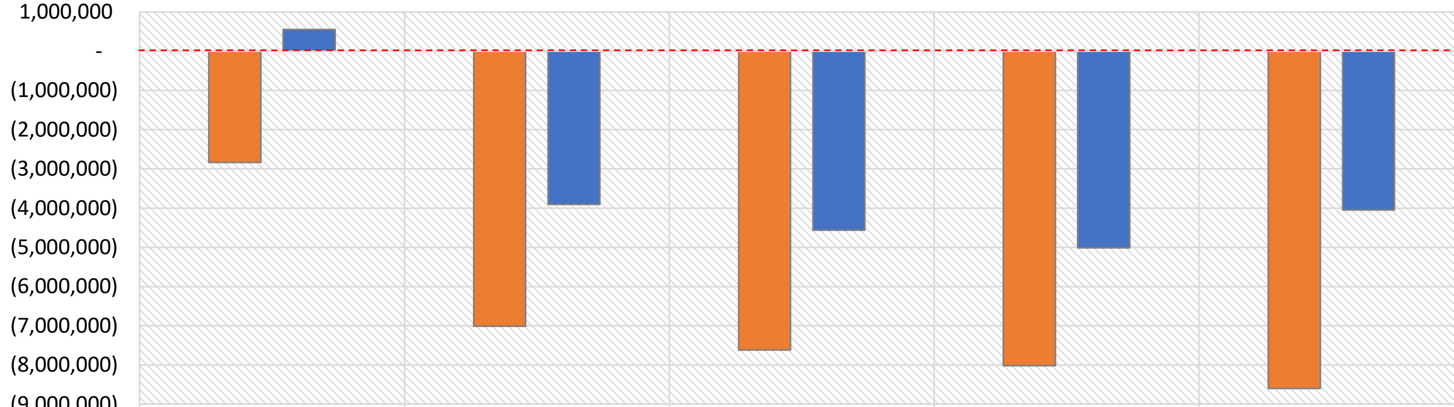
Brian Sackstein, Audit Partner | p. 929 923 7876 | e. Brian.Sackstein@armanino.com

Liz Marek, Audit Director | p. 925 790 2784 | e. Elizabeth.Marek@armanino.com

SVHCD Audited Operating Margin & Operating EBDA | FYE 2019 - FYE 2023

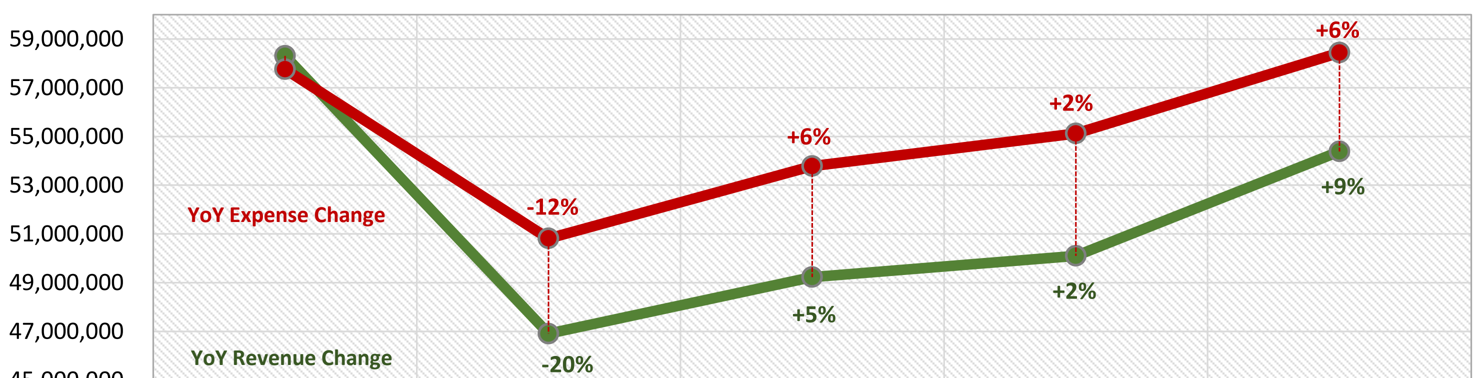
Margin	2019	2020	2021	2022	2023
Operating Margin	**(2,835,427)**	**(7,012,995)**	**(7,618,183)**	**(8,021,584)**	**(8,599,203)**
Depreciation	3,392,233	3,108,248	3,056,269	3,006,014	4,550,776
Operating EBDA	**556,806**	**(3,904,747)**	**(4,561,914)**	**(5,015,570)**	**(4,048,427)**

SVHCD Audited Operating Margin & Operating EBDA | 2019 - 2023



	2019	2020	2021	2022	2023
Operating Margin	(2,835,427)	(7,012,995)	(7,618,183)	(8,021,584)	(8,599,203)
Operating EBDA	556,806	(3,904,747)	(4,561,914)	(5,015,570)	(4,048,427)

SVHCD Audited Operating Revenues vs. Operating Expenses (excl Depr) | 2019 - 2023



	2019	2020	2021	2022	2023
Operating Revenues	58,309,491	46,906,090	49,224,199	50,100,685	54,388,381
Operating Expenses	57,752,685	50,810,837	53,786,113	55,116,255	58,436,808

Sonoma Valley Health Care District

Financial Statements
and Supplementary Information
and Single Audit Reports and Schedules

June 30, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Sonoma Valley Health Care District
Sonoma, California

Opinion

We have audited the accompanying financial statements of Sonoma Valley Health Care District (the "District"), which comprise the statements of net position as of June 30, 2023 and 2022, and the related statements of revenues, expenses and change in net position, 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 Sonoma Valley Health Care District as of June 30, 2023 and 2022, and the changes in its financial position 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Sonoma Valley Health Care District 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 these 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 Sonoma Valley Health Care District'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 generally accepted auditing standards and *Government Auditing Standards* 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, including omissions, 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.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, 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 Sonoma Valley Health Care District'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 Sonoma Valley Health Care District'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.

Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information on pages 44 - 45, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the 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. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

DRAFT

Armanino LLP
San Ramon, California

November 7, 2023

Sonoma Valley Health Care District
Management's Discussion and Analysis (Unaudited)
As of, and for the Years Ended, June 30, 2023, 2022 and 2021

Introduction

This management's discussion and analysis of the financial performance of Sonoma Valley Health Care District (the "District") provides an overview of the District's financial activities for the years ended June 30, 2023 and 2022 . The District operates Sonoma Valley Hospital (the "hospital") located in Sonoma, California. Management's discussion and analysis should be read in conjunction with the accompanying financial statements and notes to financial statements of the District.

Financial highlights

- The District's net position increased in 2023 by approximately $1,068,000 or 3% and increased in 2022 by approximately $586,000 or 2%.
- Cash and cash equivalents decreased in 2023 by approximately $3,016,000 or 32% and decreased in 2022 by approximately $1,344,000 or 13%. The decrease in 2023 was primarily driven by an increase in operating expenses and incremental cash outlays to fund the implementation of the hospital's new electronic medical record software. The District made a separate paydown on its existing line of credit in the amount of $500,000 during 2023 as well. The decrease in 2022 was due to a reduction in Inter-Governmental Transfer ("IGT") payments received during the year as well as an increase in payments for operating expenses.
- Net patient accounts receivable increased in 2023 by approximately $2,547,000 or 48% and increased in 2022 by approximately $415,000 or 9%. The increase in 2023 is attributable primarily to the District's conversion to a new Electronic Medical Record system. The increase in 2022 is attributable to the increase in net revenue from increased volumes, particularly in the 4th quarter of 2022.
- The District reported operating losses in both 2023 ($8,599,000) and 2022 ($8,022,000). The operating loss in 2023 increased by approximately $578,000 or 7% from the operating loss reported in 2022. The increase in the operating loss in 2023 is due to an increase in operating expenses, particularly depreciation and amortization. Depreciation and amortization expense increased by approximately $1,529,000, or 51%, from 2022 to 2023. The increase in depreciation expense relates to placing parts of the Outpatient Diagnostic Center ("ODC") project in service, as well as the implementation of the hospital’s new electronic medical record system.

Operational Changes and Future Plans

Fiscal year 2023 was a significant year for the hospital. While the operational impact of the COVID-19 pandemic waned during this past year, the hospital still continued to deal with the financial challenges that the pandemic brought to the forefront. Despite these challenges, fiscal year 2023 was a successful one for the District. The hospital continued to see volume growth, both on the inpatient and outpatient side as volumes in many key areas now exceed pre-pandemic levels. Outpatient surgical and ancillary volumes headlined the growth in 2023.

As the hospital continued to try and regain the volumes that were lost due to COVID-19, it also continued to work through operational challenges due to the external fallout of the pandemic. The hospital continued to battle inflationary pressures and a volatile interest rate environment which resulted in higher per item operational costs and interest expenses. An ongoing national staffing shortage, amplified by the COVID-19 pandemic, added additional pressures for the hospital in the recruitment and retention of hospital staff. Operational strategies and initiatives were implemented to mitigate these pressures, which helped contain rising operational costs as much as possible.

In December of 2022 the hospital achieved a significant milestone as it completed a seven-month implementation of its new electronic medical record, Epic. This transition will significantly improve the coordination of care for patients in the community as Epic will allow for a much more efficient and streamlined way to share clinical information with other facilities and providers. Epic will also enhance and simplify multiple front and back-end processes that will generate additional efficiencies. Post-implementation, the hospital did face a number of complexities with the transition to a new system that included a complete overhaul of the revenue cycle process. Early on there were disruptions caused by the change as the hospital had to work through some revenue cycle challenges on the back-end, but the system is now running as expected.

The hospital continued to focus efforts on growing their affiliation with UCSF to enhance quality and overall services. The Joint Operating Committee, which includes senior leadership from both Sonoma Valley Hospital and UCSF, continued their work in identifying partnership opportunities to expand and strengthen service lines in Sonoma Valley. Over the past year this partnership has created a pathway for the recruitment of physicians into the Sonoma Valley market, and the District plans to successfully recruit additional specialists into the area using this vehicle in fiscal year 2024. The affiliation with UCSF has also strengthened the operational capacity of the hospital, leveraging UCSF to strengthen IT security and decision-making ability through shared resources. The District, along with UCSF, was successful in the recruitment of a Chief Medical Officer as well as a new Director of Information Systems Technology in 2023. Both are UCSF employees dedicated to serving Sonoma Valley Health Care District. UCSF is also helping spearhead an initiative for all Sonoma Valley Hospital leadership to receive Diversity, Equity, and Inclusion (DEI) training, starting late calendar year 2023.

The transition to Epic will further promote an opportunity for Sonoma Valley residents to receive care from UCSF specialists and physicians as UCSF also utilizes the same electronic medical record. A needed interface between UCSF and Sonoma Valley Hospital was completed earlier this fall. This interface will further link UCSF with Sonoma Valley and promote further expansion of programs and UCSF specialist care into the District.

The 1st phase of the CT project, which is the 1st phase of the overall Outpatient Diagnostic Center, was completed and operationalized during fiscal year 2023. The 2nd phase of the CT project is in the construction phase. This phase is focused on the repurposing of the vacated space in the Radiology Department along with a few remaining required improvements. This work is anticipated to be completed during the 2024 fiscal year. Work has begun on the MRI project, which is the 2nd phase of the Outpatient Diagnostic Center project. The scope for fiscal year 2024 includes construction of the permanent MRI module slated to house the new MRI in its final destination. The project is estimated to be completed during fiscal year 2025. In the meantime, work has also commenced on a temporary MRI structure that would allow the hospital to gain occupancy of the new 3-Tesla MRI by the end of calendar year 2023.

The District invested significant time and resources into developing a multi-year strategic plan, which is focused on expanding access to care for patients residing in the District. Hospital leadership held multiple public sessions as well as conducted community-focused surveys to gain a deeper understanding of the needs and concerns of the community. This feedback was incorporated directly into the strategic plan that was published earlier this spring. The plan focused around four pillars – Campus Realignment, Community Care, Financial Sustainability, and Seismic Compliance. All of these pillars include specific initiatives targeted at improving and expanding needed medical services to residents of the Sonoma Valley, and further incorporating the UCSF affiliation to improve the delivery of medical services to our community.

Using this annual report

The District's financial statements consist of three statements—statement of net position, a statement of revenues, expenses and change in net position, and a statement of cash flows. These statements provide information about the activities of the District, including resources held by the District but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The District is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

The statement of net position and statement of revenues, expenses and change in net position

The statements of net position and the statement of revenues, expenses and change in net position report information about the District's resources and its activities. One of the most important questions asked about the District's finances is, "Is the District as a whole, better or worse off as a result of the year's activities?" The statements of net position and the statement of revenues, expenses and change in net position report information about the District's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes thereto. The District's net position - the difference between assets and liabilities - is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. Other non-financial factors, such as changes in the District's patient base and measures of the quality of service it provides to the community, should be considered, as well as local economic factors.

The statement of cash flows

The final required statement is the statement of cash flows. The statement reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to questions such as where did cash come from, what was cash used for and what was the change in cash and cash equivalents during the reporting period.

The District's net position

The District's net position is the difference between its assets and liabilities reported in the statement of net position. The District's net position increased by approximately $1,068,000, or 5% in 2023 from 2022 and increased by approximately $586,000, or 2% in 2022 from 2021, as shown in Table 2.

Table 1: Statements of Net Position

	2023	2022	2021
ASSETS			
Current assets			
Cash and cash equivalents	$ 6,322,741	$ 9,338,887	$ 10,682,617
Patient accounts receivable, net of allowance for doubtful accounts of $1,806,659, $1,426,077 and $1,440,049 in 2023, 2022 and 2021, respectively	7,842,950	5,295,597	4,880,570
Estimated third-party payor settlements	61,347	168,520	191,797
Property tax receivable	6,597,448	6,477,689	6,745,740
Other receivables	1,663,396	1,533,590	1,517,831
Inventories	978,625	1,037,597	934,048
Prepaid expenses and other current assets	1,160,940	828,300	871,738
Total current assets	24,627,447	24,680,180	25,824,341
Noncurrent assets			
Capital assets, net	51,970,117	52,121,397	52,581,236
Right-of-use lease assets, net	1,033,640	1,429,057	-
Right-to-use subscription assets, net	4,827,627	-	-
Investment restricted for debt service	5,774,189	5,754,812	5,935,165
Total noncurrent assets	63,605,573	59,305,266	58,516,401
Total assets	$ 88,233,020	$ 83,985,446	$ 84,340,742
LIABILITIES AND NET POSITION			
Current liabilities			
Accounts payable and accrued expenses	$ 7,249,685	$ 6,511,304	$ 6,065,424
Accrued payroll and related liabilities	2,406,779	2,560,559	3,482,666
Deferred tax revenue	6,417,465	6,285,090	6,581,749
Line of credit	4,973,734	5,473,734	5,473,734
Bonds payable, current portion	2,277,000	2,159,000	1,862,000
Notes payable, current portion	992,688	45,648	186,787
Capital lease obligations, current portion	85,976	174,908	263,030
Lease obligations, current portion	372,131	393,336	-
Subscription liability - current portion	1,536,345	-	-
Total current liabilities	26,311,803	23,603,579	23,915,390
Long-term liabilities			
Accrued workers' compensation liability	1,079,260	945,000	973,000
Bonds payable, net of current portion	20,453,000	22,730,000	24,664,000
Notes payable, net of current portion	2,366,484	608,487	39,383
Capital lease obligations, net of current portion	-	71,314	354,392
Lease obligations, net of current portion	692,446	1,046,818	-
Subscription liability, net of current portion	1,282,029	-	-
Total long-term liabilities	25,873,219	25,401,619	26,030,775
Total liabilities	52,185,022	49,005,198	49,946,165
Net position			
Net investment in capital assets	20,821,235	20,858,306	19,737,910
Restricted			
For debt service	5,774,189	5,754,812	5,935,165
Total restricted	5,774,189	5,754,812	5,935,165
Unrestricted	9,452,574	8,367,130	8,721,502
Total net position	36,047,998	34,980,248	34,394,577
Total liabilities and net position	$ 88,233,020	$ 83,985,446	$ 84,340,742

Receivables

As discussed previoulsy, net patient accounts receivable increased in 2023 by approximately $2,547,000 or 48% which is attributable primarily to the District's conversion to a new Electronic Medical Record system and resulting delays in the processing and collection of receivables. In 2023, estimated third party cost report settlement receivables decreased by approximately $107,000 or 64% compared to 2022. The decrease in 2023 is due to the fact the District did not book a receivable for the ongoing Medicare cost report audit since the estimated settlement amount is currently unknown. Property tax receivable increased by approximately $120,000 or 2% from 2022. Other receivables increased by $130,000 or 8% from 2022. The majority of the balance sitting in other receivables relates to the hospital's insurance claim resulting from the cyberattack in November 2020.

Capital assets

At the end of 2023 and 2022, the District had approximately $51,970,000 and $52,121,000, respectively, invested in capital assets, net of accumulated depreciation, as detailed in Note 10 to the financial statements.

Right-of-use Lease Assets and Obligations

Effective July 1, 2021, the District implemented Governmental Accounting Standards Board ("GASB") 87 which required the recognition of certain lease assets and liabilities. As of June 30, 2023 and 2022, the District had $1,033,640 and $1,429,057, respectively, recognized as right-of-use lease assets, net of accumulated amortization. Amortization expense related to the right-of-use assets was $429,802 for the year ended June 30, 2023.

Right-to-use Subscription Assets and Liabilities

In May 2020, the GASB issued Statement No. 96, Subscription-based Information Technology Arrangements ("GASB 96") that provides guidance on the accounting and reporting for subscription-based information technology arrangements (SBITAs). A SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding liability. The District recorded $6,040,356 of right-to-use subscription assets, along with $3,023,565 in related subscription liabilities, during the year ending June 30, 2023. The right-to-use subscription asset balance was $4,828,627 at June 30, 2023 after recognizing asset amortization expense of $1,212,729. The subscription liability balance was $2,818,374 at June 30, 2023.

Debt

At June 30, 2023 and 2022, the District had approximately $26,175,000 and $25,789,000, respectively, in bonds, equipment notes payable and notes payable outstanding as detailed in Notes 14 and 15 to the financial statements. The District has a line of credit agreement with a bank for an amount not to exceed $5,500,000, maturing on January 31, 2024. The District had unused credit on the line of $526,000 and $26,000 as of June 30, 2023 and 2022, respectively.

Table 2: Statements of Revenues, Expenses and Changes in Net Position

In 2023 the District's operating loss increased by $577,600 or 7% from 2022. In 2022 the operating loss increased by $403,000 or 5% from 2021, as shown in Table 2 below:

	2023	2022	2021
Operating revenues			
Net patient service revenue	$ 54,185,879	$ 49,882,545	$ 48,979,099
Capitation revenue	202,502	218,140	245,100
	54,388,381	50,100,685	49,224,199
Operating expenses			
Salaries and wages	24,777,605	23,150,818	23,740,884
Employee benefits	5,859,077	5,488,972	5,575,741
Purchased services	5,222,623	5,464,343	5,227,906
Professional fees, medical	6,938,546	6,426,196	5,802,960
Professional fees, non-medical	1,960,260	2,042,947	770,008
Supplies	7,882,605	7,569,438	6,665,341
Facilities and equipment	358,744	398,062	644,186
Utilities	1,813,069	1,589,238	1,353,824
Insurance	658,491	614,358	540,199
Depreciation and amortization	4,550,776	3,006,014	3,056,269
Other expenses	2,965,788	2,371,883	3,465,064
Total operating expenses	62,987,584	58,122,269	56,842,382
Loss from operations	(8,599,203)	(8,021,584)	(7,618,183)
Nonoperating income (expenses)			
General obligation bond tax assessment revenues	2,628,829	2,521,572	3,259,264
Parcel tax assessment revenues	3,776,123	3,784,676	3,777,872
General obligation bond interest	(578,627)	(838,430)	(1,083,722)
Interest expense	(519,385)	(275,108)	(207,077)
Gain on sale of assets	-	-	4,600
Provider relief funds	-	1,377,724	-
Contributions to Prima Medical Foundation	-	121,360	-
Investment income	171,954	19,312	24,912
Other income, net	1,250,587	1,011,410	996,855
Total nonoperating income (expenses), net	6,729,481	7,722,516	6,772,704
Capital contributions	2,937,472	884,739	5,923,121
Changes in net position	1,067,750	585,671	5,077,642
Net position, beginning of year	34,980,248	34,394,577	29,316,935
Net position, end of year	$ 36,047,998	$ 34,980,248	$ 34,394,577

*The District's net patient revenue is comprised of comprehensive services that span the continuum of healthcare services: inpatient and outpatient hospital patient care services and emergency room services. Net patient service revenue represents payments made by government programs, insurance companies and patients and is not the gross billed charges.

The following chart shows the percentage of government programs (Medicare, Medicare HMO, Medi-Cal and Medi-Cal Managed Care), commercial insurance and other net patient revenue. Government programs generally do not cover the cost of providing patient care services and therefore are augmented by commercial insurance payments. The District's payor mix is the reason that the parcel tax is so critical to the ongoing operations of the District.

Payor mix - Percentage of total cash collections;

	FY 2023	FY 2022	FY 2021
Medicare	22.5 %	24.8 %	25.6 %
Medicare HMO	10.4 %	10.9 %	9.0 %
Medi-Cal	1.4 %	1.0 %	1.6 %
Medi-Cal Managed Care	19.6 %	17.5 %	21.8 %
Commercial insurance	33.6 %	34.5 %	30.6 %
Workers compensation	3.0 %	3.3 %	3.1 %
Capitated	0.4 %	0.1 %	0.1 %
Other government	3.6 %	3.4 %	1.8 %
Self pay - other	5.5 %	4.5 %	6.4 %
	100.0 %	100.0 %	100.0 %

Over the period, the District has continued to experience the shift from inpatient to outpatient care. The District's experience with this shift in patient care services is consistent across all hospitals in the United States. Insurance companies, including Medicare, the District's largest payor, are more frequently requiring services to be provided in the outpatient setting.

Operating losses

The first component of the overall change in the District's net position is its operating income or loss; generally, the difference between net patient services and other operating revenues and the expenses incurred to perform those services. In each of the past three years, the District has reported an operating loss. This is consistent with the District's operating history as the District was formed and operates primarily to serve residents of Sonoma Valley, regardless of their ability to pay. The District levies property taxes to provide sufficient resources to enable the facility to serve lower income and other residents.

The operating loss for 2023 increased by approximately $577,600 or 7% as compared to 2022. In 2022 the operating loss increased by $403,000 or 5% as compared to 2021. The major components of those changes in operating loss are:

- Total operating revenues increased by $4,288,000 or 9% in 2023. Total operating revenues increased by $876,000 or 2% in 2022 compared to 2021. The increase in 2023 is due to continued growth in patient volumes, particularly surgical and procedural volumes.

Salaries and wages and benefits increased in 2023 by $1,997,000 or 7% compared to 2022 and decreased by $677,000 or 2% in 2022 compared to 2021. Salaries, wages, and benefits increased during 2023 in clinical departments related to a continued increase in patient volumes, particularly in outpatient departments, including surgery, and emergency services. There were also incremental training and educational costs incurred due to the conversion to Epic, the hospital's new electronic medical record. The decrease in 2022 relates to a decrease in administrative salaries from the CEO, CFO, and CMO being employed by UCSF as of January 2021. These costs were reclassified to non-medical professional services starting in January of 2021 .

Purchased services decreased in 2023 by $242,000 or 4% compared to 2022 and increased in 2022 by $236,000 or 5% compared to 2021. The decrease in 2023 is due to decreased costs related to COVID-19, including a reduction in the outsourcing of test processing and COVID screening resources.

Medical Professional fees increased in 2023 by $512,000 or 8% from 2022 due to continued increases in usage of nursing and clinical registry staff to fill critical vacancies, and incremental costs related to the renegotiation of various physician service agreements during the year. Medical professional fees increased in 2022 by $623,000 or 11% due to the increase in usage of nursing and clinical registry

Non-medical professional fees decreased in 2023 by $83,000, or 4% from 2022. The primary driver of this decrease is due to specific short-term vacancies in the District's senior management positions. Both the CMO and IT Director roles were vacant for portions of 2023, resulting in a reduction in spend compared to 2022. Nonmedical professional fees increased in 2022 by $1,273,000, or 62% from 2021. This increase was due to the District's senior management being employed by UCSF, which resulted in these costs being classified as non-medical professional services, effective January 2021. This increase in cost was offset by a savings in salaries, wages, and benefits, as these costs were included in administrative salaries up until January of 2021 .

Supplies increased in 2023 by $313,000 or 4% from 2022. The primary driver in this increase is continued growth in patient volumes year over year, specifically with outpatient, emergency, and procedural volumes. High inflation during the year also increased overall supply spend. Helping suppress these increases was a reduction in supply expenses specific to testing and treating COVID-19. Laboratory supply costs in 2023 decreased by over $150,000 compared to 2022.

Facilities and equipment decreased in 2023 by $39,000 or 10% from 2022 due to the reduction in the GASB 97 right-of-use lease assets liability. Facilities and equipment increased in 2022 by $246,000 or 38% from 2021 due to GASB 97, which was the first year the new audit standard required the District to restate their equipment leases.

Other expenses increased in 2023 by $594,000 or 25% compared to 2022. The primary driver of this increase is due to an increase in the IGT matching fee that was paid during the year. Other expenses decreased in 2022 by $1,093,000 or 32% compared to 2021 due to a reduction in the IGT matching fee, compared to 2021.

Nonoperating revenues and expenses

Nonoperating revenues and expenses consist primarily of parcel taxes levied by the District, investment income, interest expense and noncapital grants and gifts.

Parcel taxes in 2023 of $3,776,123 remained consistent compared to 2022. In 2023, interest expense increased by $244,000 or 89% due to a significant change in interest rates, which started during the 4th quarter of fiscal year 2022. This primarily impacted interest expense on the hospital's line of credit. In 2022, interest expense increased by $68,000 or 33% due to a new audit standard that required the recognition of interest expense of the lease obligation of specific operating leases held by the hospital.

Capital grants and gifts

The District received gifts from Sonoma Valley Hospital Foundation and various individuals for the construction costs related to the outpatient diagnostic center and to purchase capital assets in the amount of $2,937,000 in 2023 and $885,000 in 2022; a decrease of $2,052,000 in 2023 compared to 2022. Capital grants and gifts decreased by $5,038,000 in 2022 over 2021.

The District's cash flows

Changes in the District's cash flows are consistent with changes in operating losses and nonoperating revenues and expenses, as discussed earlier.

Contacting the District's financial management

This financial report is designed to provide our patients, suppliers, taxpayers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Chief Financial Officer by telephoning (707) 935-5003.

Sonoma Valley Health Care District
Statements of Net Position
June 30, 2023 and 2022

	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	$ 6,322,741	$ 9,338,887
Patient accounts receivable, net of allowance for uncollectible accounts of $1,806,659 and $1,426,077 in 2023 and 2022, respectively	7,842,950	5,295,597
Estimated third-party payor settlements	61,347	168,520
Property tax receivable	6,597,448	6,477,689
Other receivables	1,663,396	1,533,590
Inventories	978,625	1,037,597
Prepaid expenses and other current assets	1,160,940	828,300
Total current assets	24,627,447	24,680,180
Noncurrent assets		
Capital assets, net	51,970,117	52,121,397
Right-of-use lease assets, net	1,033,640	1,429,057
Right-to-use subscription assets, net	4,827,627	-
Investment restricted for debt service	5,774,189	5,754,812
Total noncurrent assets	63,605,573	59,305,266
Total assets	$ 88,233,020	$ 83,985,446
LIABILITIES AND NET POSITION		
Current liabilities		
Accounts payable and accrued expenses	$ 7,249,685	$ 6,511,304
Accrued payroll and related liabilities	2,406,779	2,560,559
Deferred tax revenue	6,417,465	6,285,090
Line of of credit	4,973,734	5,473,734
Bonds payable, current portion	2,277,000	2,159,000
Notes payable, current portion	992,688	45,648
Capital lease obligations, current portion	85,976	174,908
Lease obligations, current portion	372,131	393,336
Subscription liability - current portion	1,536,345	-
Total current liabilities	26,311,803	23,603,579
Long-term liabilities		
Accrued workers' compensation liability	1,079,260	945,000
Bonds payable, net of current portion	20,453,000	22,730,000
Capital lease obligations, net of current portion	-	71,314
Notes payable, net of current portion	2,366,484	608,487
Lease obligations, net of current portion	692,446	1,046,818
Subscription liability, net of current portion	1,282,029	-
Total long-term liabilities	25,873,219	25,401,619
Total liabilities	52,185,022	49,005,198
Net position		
Net investment in capital assets	20,821,235	20,858,306
Restricted		
Investment restricted for debt service	5,774,189	5,754,812
Total restricted	5,774,189	5,754,812
Unrestricted	9,452,574	8,367,130
Total net position	36,047,998	34,980,248
Total liabilities and net position	$ 88,233,020	$ 83,985,446

The accompanying notes are an integral part of these financial statements.

Sonoma Valley Health Care District
Statements of Revenues, Expenses and Change in Net Position
For the Years Ended June 30, 2023 and 2022

	2023	2022
Operating revenues		
Net patient service revenue	$ 54,185,879	$ 49,882,545
Capitation revenue	202,502	218,140
Total operating revenues	54,388,381	50,100,685
Operating expenses		
Salaries and wages	24,777,605	23,150,818
Employee benefits	5,859,077	5,488,972
Purchased services	5,222,623	5,464,343
Professional fees, medical	6,938,546	6,426,196
Professional fees, non-medical	1,960,260	2,042,947
Supplies	7,882,605	7,569,438
Facilities and equipment	358,744	398,062
Utilities	1,813,069	1,589,238
Insurance	658,491	614,358
Depreciation and amortization	4,550,776	3,006,014
Other expenses	2,965,788	2,371,883
Total operating expenses	62,987,584	58,122,269
Loss from operations	(8,599,203)	(8,021,584)
Nonoperating income (expenses)		
General obligation bond tax assessment revenues	2,628,829	2,521,572
Parcel tax assessment revenues	3,776,123	3,784,676
General obligation bond interest	(578,627)	(838,430)
Interest expense	(519,385)	(275,108)
Contributions to Prima Medical Foundation	-	121,360
Investment income	171,954	19,312
Provider relief funds	-	1,377,724
Other income, net	1,250,587	1,011,410
Total nonoperating income, net	6,729,481	7,722,516
Capital contributions	2,937,472	884,739
Change in net position	1,067,750	585,671
Net position, beginning of year	34,980,248	34,394,577
Net position, end of year	$ 36,047,998	$ 34,980,248

The accompanying notes are an integral part of these financial statements.

Sonoma Valley Health Care District
Statements of Cash Flows
For the Years Ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Cash received from patients and third-parties	$ 51,954,197	$ 49,798,059
Cash payments to contractors, vendors and suppliers	(27,342,107)	(25,945,720)
Cash payments to employees and benefit programs	(30,656,202)	(29,503,632)
Net cash used in operating activities	(6,044,112)	(5,651,293)
Cash flows from noncapital financing activities		
Noncapital grants, contributions and other	1,114,785	2,284,251
Contribution from Prima Medical Foundation	-	121,360
District tax revenues	3,788,739	3,756,072
Net cash provided by noncapital financing activities	4,903,524	6,161,683
Cash flows from capital and related financing activities		
Purchase of capital assets	(2,791,349)	(1,714,632)
Principal payments on note payable	(45,623)	(180,522)
Principal payments on capital lease obligations	(160,246)	(371,200)
Principal payments on lease obligations	(3,597,559)	(211,959)
Principal payments on bond payable	(2,159,000)	(1,637,000)
Interest paid on long-term debt	(1,091,318)	(1,344,779)
Proceeds on note payable	2,750,660	-
Paydown of line of credit	(500,000)	-
Tax revenue related to general obligation bonds	2,628,829	2,521,568
Capital grants and gifts	2,937,472	884,739
Net cash used in capital financing activities	(2,028,134)	(2,053,785)
Cash flows from investing activities		
Purchases of investments	(19,377)	180,353
Interest received from investments	171,953	19,312
Net cash provided by investing activities	152,576	199,665
Net decrease in cash and cash equivalents	(3,016,146)	(1,343,730)
Cash and cash equivalents, beginning of year	9,338,887	10,682,617
Cash and cash equivalents, end of year	$ 6,322,741	$ 9,338,887

The accompanying notes are an integral part of these financial statements.

Sonoma Valley Health Care District
Statements of Cash Flows
For the Years Ended June 30, 2023 and 2022

	2023	2022
Reconciliation of loss from operations to net cash and cash equivalents used in operating activities		
Loss from operations	$ (8,599,203)	$ (8,021,584)
Adjustments to reconcile loss from operations to net cash and cash equivalents used in operating activities		
Depreciation and amortization	4,550,776	3,006,014
Provision for doubtful accounts	1,850,000	2,000,000
Changes in operating assets and liabilities		
Patient accounts receivable, net	(4,391,357)	(2,325,903)
Inventories	58,972	-
Prepaid expenses and deposits	(332,640)	-
Estimated third-party payor settlements	107,173	23,277
Accounts payable and accrued expenses	731,687	(186,721)
Other operating assets and liabilities	(19,520)	(146,376)
Net cash used in operating activities	$ (6,044,112)	$ (5,651,293)

Supplemental schedule of noncash investing and financing activities

	2023	2022
Right-of-use lease assets	$ -	$ 1,889,816
Lease obligation liability	$ -	$ (1,652,113)
Right-to-use subscription assets	$ 6,040,356	$ -
Right-to-use subscription liabilities	$ (3,023,565)	$ -

The accompanying notes are an integral part of these financial statements.

1. NATURE OF OPERATIONS

Sonoma Valley Health Care District (the "District") is a political subdivision of the State of California organized under the State of California Local Health Care District Law as set forth in the Health and Safety Code of the State of California. The Health Care District is governed by an elected Board of Directors and is considered the primary government for financial reporting purposes.

The Health Care District owns and operates Sonoma Valley Hospital (the "Hospital"). The Hospital is located in Sonoma, California, and is licensed for 24 general acute care beds and 27 skilled nursing beds. It also provides 24-hour basic emergency care, outpatient diagnostic and therapeutic services, and it operated a home health agency through September 2018. The Hospital derives a significant portion of its revenues from third-party payors, including Medicare, Medi-Cal and commercial insurance organizations.

The District Board has approved the planning phase and construction of a new outpatient diagnostic center (the "Center"). The construction of the center commenced during fiscal year 2020, and is funded entirely by donor contributions raised by the Sonoma Valley Hospital Foundation. See Note 21, Transactions with Sonoma Valley Hospital Foundation, for further discussion.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The District's financial statements are presented in accordance with the pronouncements of the Governmental Accounting Standards Board (GASB). The financial statement presentation, required by GASB Statements No. 34, 37 and 38 provides a full accrual basis, comprehensive, entity-wide perspective of the District's assets, results of operations and cash flows. The District follows the "business-type activities" reporting requirements of GASB Statement No. 34. For purposes of presentation, transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as operating revenues and expenses.

In June 2015, the GASB issued Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments ("GASB No. 76"), which is effective for financial statements for periods beginning after June 15, 2015. The objective of GASB No. 76 is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles ("GAAP"). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. Statement no. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Accounting Standards Board (GASB) 87

In June 2017, the GASB issued Statement No. 87, Leases. GASB 87 increases the usefulness of governmental financial statements by requiring recognition of certain lease assets and liabilities for all leases, including those that previously were classified as operating leases and recognized as income by lessors and expenditures by lessees. GASB 87 replaces the previous lease accounting methodology and establishes a single model for lease accounting based on the foundational principle that leases are a financing of the right to use an underlying asset.

GASB 87 defines a lease as a contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. GASB 87 applies to all contracts meeting this definition of a lease, unless specifically excluded. GASB 87 requires a lessee to recognize a lease liability and an intangible asset representing the lessee's right to use the leased asset at the commencement of the lease. GASB 87 requires the lessee to measure its lease liability as the present value of all payments expected to be made during the lease term.

The lessee will generally report amortization expense for the lease assets over the shorter of the term of the lease or the useful life of the underlying asset. Amortization expense for the years ending June 30, 2023 and 2022 of $429,802 and $223,056, respectively, is reported within depreciation and amortization expense. As of July 1, 2021, the Foundation recorded right-of-use lease assets and associated liabilities of $1,652,113; see Notes 11 and 12.

GASB 87 was effective as of July 1, 2021, with restatement of financial statements for all prior periods presented, unless such restatement is not practicable. The District has chosen not to restate the June 30, 2021 financial statements, as it is not practicable to do so, noting that the impact of the implementation of GASB 87 right-of-use assets and corresponding lease obligation balances was approximately $378,000.

Governmental Accounting Standards Board (GASB) 96

In May 2020, the GASB issued Statement No. 96, Subscription-based Information Technology Arrangements ("GASB 96") that is effective for fiscal years beginning after June 15, 2022. GASB 96 provides guidance on the accounting and reporting for subscription-based information technology arrangements (SBITAs). A SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding liability. A SBITA is defined as a contract that conveys control of the right to use another party's information technology ("IT") software as specified in a contract for a period of time in an exchange or exchange-like transaction. The subscription term includes the period during which the organization has the noncancellable right to use the underlying IT assets. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments should be discounted using the interest rate the SIBTA vendor charges in the contract, or the organization's incremental borrowing rate if the interest rate is not readily determinable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Accounting Standards Board (GASB) 96 (continued)

The District recorded $6,040,356 of right-to-use subscription assets, along with $3,023,565 in related subscription liabilities, during the year ending June 30, 2023. The right-to-use subscription asset balance was $4,828,627 at June 30, 2023 after recognizing asset amortization expense of $1,212,729. The subscription liability balance was $2,818,374 at June 30, 2023. See Notes 13 and 14.

Proprietary fund accounting and financial statement presentation

The District utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis and the financial statements are prepared using the economic resources measurement focus.

Net position of the District is comprised of the following three components:

Net investment in capital assets - consists of capital assets (both restricted and unrestricted), net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction or improvement of those capital assets.

Restricted net position - consists of net position with limits on their use that are externally imposed by creditors (such as through debt covenants), grantors, contributors or by laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - consists of the remaining net position that does not meet the definition of invested in capital assets, net of related debt or restricted net position.

Use of estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include deposits with financial institutions and investments in highly liquid debt instruments with an original maturity of three months or less. Cash and cash equivalents exclude amounts whose use is limited by Board designation or by legal restriction.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Patient accounts receivable and concentration of credit risk

Patient accounts receivable consist of amounts owed by various governmental agencies, insurance companies and private patients. The District manages its receivables by regularly reviewing the accounts, providing appropriate reserves for contractual allowances and uncollectible accounts based upon historical net collections, the aging of individual accounts, as well as current economic and regulatory conditions. Patient accounts receivable from government agencies represent the only concentrated group of credit risk for the District and management does not believe there are any material credit risks associated with these governmental agencies. Contracted and other private patient accounts receivable consist of various payors including individuals involved in diverse activities, subject to differing economic conditions. While the overall concentration of these other payor receivables is significant, they do not represent any individual concentrated credit risk to the District. Estimated net receivables from all Medicare and Medi-Cal programs combined account for approximately 33% and 37% of net patient accounts receivable at both June 30, 2023 and 2022, respectively.

Allowance for uncollectible patient accounts receivable

The District provides care to patients without requiring collateral or other security. Patient charges not covered by a third-party payor are billed directly to the patient if it is determined that the patient has the ability to pay. A provision for uncollectible accounts is recognized based on management's estimate of amounts that ultimately may be uncollectible given historical collection trends. At June 30, 2023 and 2022, the District recorded an allowance for uncollectible accounts receivable for amounts due directly from patients totaling $1,806,659 and $1,426,077, respectively.

Investments

The District maintains a portion of its cash and cash equivalents in the State of California Local Agency Investment Fund ("LAIF") pooled investment. The funds deposited in LAIF are invested in accordance with Government Code Sections 16340 and 16480, the stated investment authority for the Pooled Money Investment Account. Balances are stated at their estimated fair value.

Noncurrent investments consist of Board-designated and restricted funds set aside by the Board for future capital improvements and other operational reserves, over which the Board retains control and may at its discretion, use for other purposes; assets set aside for qualified capital outlay projects in compliance with state law and assets restricted by donors or grantors.

Investment income, realized gains and losses and unrealized gains and losses on investments are reflected as nonoperating income or expense.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements

GASB iStatement No. 72, Fair Value Measurement and Application ("GASB No. 72"), addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The District reports the fair value of its investments in accordance with GASB 72. This standard requires an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. In addition, the District reports certain investments using the net asset value per share as determined by investment managers under the so called "practical expedient". The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met. Fair value measurement standards also require the District to classify these financial instruments into a three-level hierarchy based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 reporting depending on lock-up and notice periods associated with the underlying funds.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Level 2 also includes practical expedient investments with notice periods for redemption of 90 days or less.

Level 3 - Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation. Level 3 also includes principal expedient investments with notice periods for redemption of more than 90 days.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument, as well as the effects of market, interest and credit risk. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in the District's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pledges receivable

Pledges are recorded at their present value net of applicable discounts. There are no discounts recorded as of June 30, 2023 and 2022, as all pledge balances are expected to be collected within one year. An allowance for uncollectible pledges receivable is established based upon management's judgment including such factors as prior collection history and aging statistics of pledge balances. At June 30, 2023 and 2022 , management determined that no allowance for uncollectible pledges was required, as all balances are considered to be fully collectible.

Inventories

Inventories consist primarily of hospital operating supplies and pharmaceuticals and are stated at cost, determined by the first-in, first-out method, not in excess of fair value.

Investment restricted for debt service

According to the terms of the General Obligation Bond indenture agreements, certain amounts are held by the bond trustee and paying agent and are maintained and managed by the trustee and are invested in noncurrent investments. These assets are available for the settlement of future current bond obligations.

Capital assets

Capital asset acquisitions over $5,000 are capitalized and recorded at cost. Donated property is recorded at its fair value on the date of donation. Equipment under capital lease is amortized on the straight-line basis over the shorter of the lease term or the estimated useful life of the equipment. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or the estimated useful life of the related assets.

Depreciation and amortization of property and equipment is computed using the straight-line method over the following estimated useful lives:

Land improvements	10 - 20 years
Buildings and improvements	20 - 40 years
Equipment	2 - 10 years

Whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recovered, the District, using its best estimates and projections, reviews for impairment the carrying value of long-lived identifiable assets to be held and used in the future. Any impairment losses identified are recognized when determined. Recoverability of assets is measured by comparison of the carrying amount of the asset to the net undiscounted future cash flows expected to be generated from the asset. If the future undiscounted cash flows are not sufficient to recover the carrying value of the assets, the asset's carrying value is adjusted to fair value. As of June 30, 2023 and 2022 , the District has determined that no capital assets are significantly impaired.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Costs of borrowing

Except for capital assets acquired through gifts, contributions or capital grants, interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Risk management

The District is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; employee health, dental and accidents; and medical malpractice. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The District maintains professional liability insurance on a claims-made basis, with liability limits of $15,000,000 per claim and $25,000,000 in aggregate, which is subject to a $5,000 per claim deductible. Additionally, the District is self-insured for workers' compensation benefits. The District purchases a workers' compensation excess policy that insures claims with no limits in the amounts and a $500,000 deductible. An actuarial estimate of uninsured losses from workers' compensation claims has been accrued as a liability in the accompanying financial statements.

Statements of revenues, expenses and change in net position

The District's statements of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, which is the District's principal activity. Operating expenses are all expenses incurred to provide health care services, other than financing costs. Other transactions such as property tax revenue, interest expense, investment income, gain on sale of capital assets, gifts and contributions, and government grants and bequests are reported as nonoperating income.

Net patient service revenue

Net patient service revenue is reported at the estimated net realizable amounts due from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered, and adjusted in future periods as final settlements are determined.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net patient service revenue (continued)

The distribution of net patient revenue, which represents both cash collected and expected to be collected, by payor is as follows:

	2023	2022
Medicare	22.5 %	24.8 %
Medicare HMO	10.4 %	10.9 %
Medi-Cal	1.4 %	1.0 %
Medi-Cal Managed Care	19.6 %	17.5 %
Commercial Insurance	33.6 %	34.5 %
Workers Compensation	3.0 %	3.3 %
Capitated	0.4 %	0.1 %
Self-pay-other	3.6 %	4.5 %
Other government	5.5 %	3.4 %

Charity care

The District provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the District does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Capitation revenues

The District, in association with Meritage Medical Network (formerly Marin Independent Practice Association) ("Meritage") has an agreement with a health maintenance organization ("HMO") to provide medical services to subscribing participants. Under this agreement, the District receives monthly capitation payments based on the number of each HMO's participants, regardless of the services actually performed by the District. The District is not responsible for the cost of services provided to subscribing participants by other hospitals. The District reassesses the profitability of the agreements for exposure risks in the event future medical costs to provide medical services exceed the related future capitation payments.

Property tax revenues

Taxes for District operations and for debt service payments related to District General Obligation Bonds are levied annually on the taxable property within the District.

In March 2002, the District voters adopted a special tax on each taxable parcel of land within the District at an annual rate of up to $130 per parcel for five years. In March 2007, the District voters extended the special tax at an annual rate of up to $195 per parcel. In June 2017, the District voters approved an extension of the special tax at an annual rate of up to $250 per parcel for a five-year period through 2022. In November 2021, District residents voted to renew the parcel tax at the same yearly amount of $250, but extended the term from five to ten years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property tax revenues (continued)

The purpose of the special parcel tax is to ensure continued local access to emergency room and acute hospital care and other medical services for residents of the District and for visitors to the area.

Property tax revenue funds were designated as follows:

	2023	2022
Designated for hospital operations	$ 3,776,123	$ 3,784,676
Levied for hospital operations and debt service payments	2,628,829	2,521,572
	$ 6,404,952	$ 6,306,248

The District recognizes property taxes receivable when the enforceable legal claim arises (January 1) and recognizes revenues over the period for which the taxes are levied (July 1 to June 30). Property taxes are considered delinquent on the day following each payment due date. Property tax revenues are nonexchange transactions that are reported as nonoperating income.

Grants and contributions

The District receives grants as well as contributions from individuals and private organizations. Revenues from grants and contributions are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating income.

The District received U.S. Department of Health and Human Services ("HHS") Provider Relief Fund ("PRF") payments during the year ending June 30, 2022, and those payments were recognized in that year based upon lost revenues reported to HHS in the initial filing for period 1. PRF payments from HHS are assigned to 'Payment Received Periods' (each, a Period) based upon the date each payment from the PRF Program was received. Each Period has a specified Period of Availability and timing of reporting requirements. PRF recipients report into the HRSA PRF Reporting Portal after each Period's deadline to use the funds (i.e., after the end of the Period of Availability). The requirement of when to report PRF funds received on the Schedule of Expenditure of Federal Awards is determined by the assigned Period. The PRF funds received during the year ending June 30 2022 are for Period 4 and are required to be reported on the June 30, 2023 SEFA. See Note 6.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated absences

District policies permit most employees to accumulate paid time-off benefits that may be realized as paid time-off or as a cash payment upon termination. The expense and the related liability are recognized as paid time-off benefits when earned. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the statement of financial position date plus an additional amount for compensation-related payments, such as social security and Medicare taxes computed using rates in effect at the date of computation.

Income taxes

The District operates under the purview of the Internal Revenue Code, Section 115, and corresponding California Revenue and Taxation Code provisions. As such, it is not subject to state or federal taxes on income. However, income from the unrelated business activities of the District may be subject to income taxes.

Subsequent events

Subsequent events have been evaluated through November 7, 2023, which is the date the financial statements were available to be issued. No subsequent events have occurred that would have a material impact on the presentation of the District's financial statements.

3. AFFILIATION AGREEMENT WITH UCSF HEALTH

The District has entered into an affiliation agreement with UCSF Health dated August 20, 2018 to share best practices, increase patient, family and community satisfaction with patient care and create over time a comprehensive, sustainable and integrated health care network to serve the needs of the Sonoma Community.

The District and UCSF Health have formed a Joint Operations Committee ("JOC") that is responsible for coordinating activities and discussing and negotiating any agreements necessary to support the affiliation agreement. Effective January 1, 2021, the District and UCSF Health entered into a first amendment of the affiliation agreement which extended the initial term of the agreement to commence on the effective date of the first amendment and to end on the 5th anniversary of such date. The first amendment also redefines the structure and authority of the JOC and adds a management services section whereby certain executive leadership roles are directly employed by UCSF Health and shall manage the District in accordance with the term of the affiliation agreement.

4. CASH DEPOSITS

At June 30, 2023 and 2022, the District's cash deposits had carrying amounts of $6,322,741 and $9,338,887, respectively, and bank balances of $7,582,909 and $9,696,423, respectively.

5. NET PATIENT SERVICE REVENUES

The District has agreements with third-party payors that provide for payments to the District at amounts different from its established rates. The difference between the Hospital's established rates and the amounts paid under third-party contracts are reflected as contractual adjustments. Medicare and Medi-Cal settlements are estimated and recorded in the financial statements in the year services are provided, or when amounts are estimable. Laws and regulations governing the Medicare and Medi-Cal programs are complex and subject to interpretation. The District believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquires have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medi-Cal programs. Changes in Medicare, Medi-Cal, or other programs or the reduction of program funding could have an adverse impact on future net patient service revenues.

A summary of the payment arrangements with major third-party payors is as follows:

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The District's classification of inpatients under the Medicare program and the appropriateness of their admissions are subject to an independent review by a peer review organization under contract with the District. Most outpatient services at the District provided to Medicare beneficiaries are paid at prospectively determined rates per encounter that vary according to procedures performed. At June 30, 2023, the District's Medicare cost reports have been audited and final settled by the fiscal intermediary through June 30, 2020.

Medi-Cal - Payments for inpatient acute care services rendered to Medi-Cal program beneficiaries are reimbursed under a diagnostic related group (DRG) methodology. Under this methodology, similar to Medicare, services are paid at prospectively determined rates per discharge according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient skilled nursing care services rendered to Medi-Cal program beneficiaries are reimbursed at prospectively determined per diem rates. Outpatient services rendered to Medi-Cal program beneficiaries are reimbursed based on prospectively determined fee schedules. At June 30, 2023 the District's Medi-Cal cost reports have been audited and final settled through June 30, 2020.

Others - Payments for services rendered to other than Medicare and Medi-Cal patients are based on established rates or agreements with certain commercial insurance companies, health maintenance organizations, Napa State, and preferred provider organizations which provide for various discounts from established rates.

5. NET PATIENT SERVICE REVENUES (continued)

Net patient service revenues consisted of the following:

	2023	2022
Services provided to Medicare patients	$ 172,702,928	$ 160,050,901
Services provided to Medi-Cal patients	60,968,241	50,502,466
Services provided to other patients	90,292,533	84,181,019
Gross patient service revenues	323,963,702	294,734,386
Contractual allowances and allowance for doubtful accounts	(269,777,823)	(244,851,841)
Total net patient service revenue	$ 54,185,879	$ 49,882,545

The District receives funds under Assembly Bill No. 915 legislation for MediCal services provided through an Inter-Governmental Transfer (IGT) whereby funds are advanced by the District to be matched by the federal government. As a result of participation in the Hospital Provider Fee and the Rate Range IGT programs, the District recognized gross revenues of $6,075,168 and IGT expense of $2,271,852 for the year ended June 30, 2023. The District recognized gross revenues of $4,314,418 and IGT expense of $1,652,003 for the year ended June 30, 2022 under these two programs. Revenue and expense under these programs are recorded upon notification by the Department of Health Care Services of final earned amounts for MediCal services in the specific service year of calculation. The revenues recognized under these programs are recorded within net patient service revenues, and the IGT expense paid into the programs is reflected within other expenses.

6. FEDERAL GRANTS - PROVIDER RELIEF FUNDS

As part of the CARES Act, the U.S. Department of Public Health and Human Services ("HHS") is authorized to distribute $178 billion in grants through the Provider Relief Fund, including to hospitals and other healthcare providers on the front lines of the coronavirus response. The Provider Relief Fund ("PRF") is to support healthcare-related expenses or lost revenue attributable to COVID-19 and ensures uninsured individuals can get treatment for COVID-19.

The District recognized revenues of $1,377,724 related to PRF payments received from HHS during the year ended June 30, 2022. The recognition of revenue for PRF amounts received in the prior year was based on the District's calculation of lost revenues as reported in the initial filing with HHS for Period 1. The PRF funds recognized during the year ending June 30, 2022 are required to be reported on the June 30, 2023 SEFA.

7. INVESTMENTS RESTRICTED FOR DEBT SERVICE

District investment balances and average maturities were as follows at June 30, 2023:

	Fair Value	Less than 1	1 to 5
Money market mutual fund	$ 5,774,189	$ 5,774,189	$ -

7. INVESTMENTS RESTRICTED FOR DEBT SERVICE (continued)

District investment balances and average maturities were as follows at June 30, 2022:

	Fair Value	Less than 1	1 to 5
Money market mutual fund	$ 5,754,812	$ 5,754,812	$ -

Except for the investment of unexpended funds borrowed for construction, the District's investment policy limits the first $5,000,000 of investments to the LAIF. Once investments exceed $5,000,000, the policy (California Government Code) limits investments to bonds and other obligations of the US Treasury, US agencies or instrumentalities, or the state of California; bonds of any city, county, school district, or special road district of the state of California; bonds of banks for cooperatives, federal land banks, federal intermediate credit banks, Federal Home Loan Bank, Tennessee Valley Authority and the National Mortgage Association or certificates of deposit.

The investment policy does not specifically address interest rate risk, credit risk, custodial credit risk, concentration of credit risk or foreign currency risk.

Inherent rate risk

Inherent rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest. The money market mutual fund has a maturity of less than one year and is redeemable in full immediately.

Credit risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2023 and 2022, the District's investment in a money market mutual fund was rated AAA by both Moody's Investors Service and Standard and Poor's.

Concentration of credit risk

This risk relates to the risk of loss attributed to the magnitude of the District's investment in a single issuer. For the years ended June 30, 2023 and 2022, the District had a single money market mutual fund investment.

8. FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, the District's assets at fair value as of June 30, 2023:

	Level 1	Level 2	Level 3	Fair Value
Money market mutual funds	$ 5,774,189	$ -	$ -	$ 5,774,189

The following table sets forth by level, within the fair value hierarchy, the District's assets at fair value as of June 30, 2022:

	Level 1	Level 2	Level 3	Fair Value
Money market mutual funds	$ 5,754,812	$ -	$ -	$ 5,754,812

9. PROPERTY TAX RECEIVABLE

Property tax receivable consisted of the following:

	2023	2022
Special parcel tax	$ 3,979,984	$ 3,992,600
Tax for general obligation bond debt service payments	2,617,464	2,485,089
	$ 6,597,448	$ 6,477,689

10. CAPITAL ASSETS

Capital assets activity as of June 30, 2023, consisted of the following:

	Balance, June 30, 2022	Purchases and Transfers	Sales, Transfers, and Retirements	Balance, June 30, 2023
Non-depreciable capital assets				
Land	$ 646,687	$ -	$ -	$ 646,687
Construction in progress	11,716,336	5,291,998	(9,087,157)	7,921,177
Total non-depreciable capital assets	12,363,023	5,291,998	(9,087,157)	8,567,864
Depreciable capital assets				
Land improvements	794,811	-	-	794,811
Buildings and improvements	64,934,887	4,059,989	-	68,994,876
Equipment	31,512,734	504,970	1,753,080	33,770,784
	97,242,432	4,564,959	1,753,080	103,560,471
Less accumulated depreciation	(57,484,058)	(2,908,243)	234,083	(60,158,218)
Total depreciable capital assets	39,758,374	1,656,716	1,987,163	43,402,253
Total capital assets, net	$ 52,121,397	$ 6,948,714	$ (7,099,994)	$ 51,970,117

Capital assets activity as of June 30, 2022, consisted of the following:

	Balance, June 30, 2021	Purchases and Transfers	Sales, Transfers, and Retirements	Balance, June 30, 2022
Non-depreciable capital assets				
Land	$ 646,687	$ -	$ -	$ 646,687
Construction in progress	10,133,726	1,728,043	(145,433)	11,716,336
Total non-depreciable capital assets	10,780,413	1,728,043	(145,433)	12,363,023
Depreciable capital assets				
Land improvements	794,811	-	-	794,811
Buildings and improvements	64,743,099	134,956	56,832	64,934,887
Equipment	31,053,754	460,120	(1,140)	31,512,734
	96,591,664	595,076	55,692	97,242,432
Less accumulated depreciation	(54,790,841)	(2,782,958)	89,741	(57,484,058)
Total depreciable capital assets	41,800,823	(2,187,882)	145,433	39,758,374
Total capital assets, net	$ 52,581,236	$ (459,839)	$ -	$ 52,121,397

11. RIGHT-OF-USE LEASE ASSETS

Changes in right-of-use asset activity during the year ending June 30, 2023, consisted of the following:

	Balance at July 1, 2022	Additions	Balance at June 30, 2023
Lease obligation assets			
Building	$ 1,194,167	$ -	$ 1,194,167
Equipment	695,649	34,387	730,036
	1,889,816	34,387	1,924,203
Less accumulated amortization	(460,759)	(429,804)	(890,563)
	$ 1,429,057	$ (395,417)	$ 1,033,640

Changes in right-of-use asset activity during hte year ending June 30, 2022, consisted of the following:

	Balance at July 1, 2021	Additions	Balance at June 30, 2022
Lease obligation assets			
Building	$ -	$ 1,194,167	$ 1,194,167
Equipment	422,905	272,744	695,649
	422,905	1,466,911	1,889,816
Less accumulated amortization	(237,702)	(223,057)	(460,759)
	$ 185,203	$ 1,243,854	$ 1,429,057

12. LEASE OBLIGATION LIABILITIES

The District has entered into non-cancellable lease agreements that expire at various dates through February 2027. Rent under the agreements is expensed as incurred over the terms of the underlying leases.

Changes in lease obligation liability activity during the year ending June 30, 2023 consisted of the following:

	Balance at July 1, 2022	Additions	Payments	Balance at June 30, 2023
Buildings	$ 1,107,304	$ -	$ (248,829)	$ 858,475
Equipment	332,850	18,216	(144,964)	206,102
	$ 1,440,154	$ 18,216	$ (393,793)	$ 1,064,577

12. LEASE OBLIGATION LIABILITIES (continued)

Changes in lease obligation liability activity during the year ending June 30, 2022 consisted of the following:

	Balance at July 1, 2021	Additions	Payments	Balance at June 30, 2022
Buildings	$ -	$ 1,194,167	$ (86,863)	$ 1,107,304
Equipment	195,347	262,599	(125,096)	332,850
	$ 195,347	$ 1,456,766	$ (211,959)	$ 1,440,154

Future maturities of capital lease obligations are as follows:

Year ending June 30,	
2024	$ 372,131
2025	311,590
2026	231,069
2027	148,033
2028	1,754
	1,064,577
Current portion	(372,131)
	$ 692,446

13. RIGHT-TO-USE SUBSCRIPTION ASSETS

Right-to-use subscription asset activity during the year ending June 30, 2023, consisted of the following:

	Balance at July 1, 2022	Additions	Balance at June 30, 2023
Subscription assets	$ -	$ 6,040,356	$ 6,040,356
	-	6,040,356	6,040,356
Less accumulated amortization	-	(1,212,729)	(1,212,729)
	$ -	$ 4,827,627	$ 4,827,627

14. RIGHT-TO-USE SUBSCRIPTION LIABILITIES

Right-to-use subscription liability activity during the year ending June 30, 2023 consisted of the following:

	Balance at July 1, 2022	Additions	Payments	Balance at June 30, 2023
Subscription liabilities	$ -	$ 3,023,565	$ (205,190)	$ 2,818,375
	$ -	$ 3,023,565	$ (205,190)	$ 2,818,375

Future maturities of subscription lease obligations are as follows:

Year ending June 30,	
2024	$ 1,536,345
2025	981,652
2026	300,377
	2,818,374
Current portion	(1,536,345)
	$ 1,282,029

15. LINE OF CREDIT

The District had a line of credit agreement with a bank for an amount not to exceed $6,750,000 that matured on January 31, 2022. On this date, the line of credit was extended for an amount not to exceed $5,500,000, with an interest rate of 2.5% plus Term SOFR, maturing on January 31, 2024. The line of credit is collateralized with the District's cash, cash equivalents and receivables. At any time prior to the maturity date, subject to the terms of the loan, the District may borrow, repay and reborrow so long as the maximum principal balance outstanding does not exceed $5,500,000 on or before January 31, 2024.

The District is required to comply with certain restrictive covenants, including maintaining a total liabilities to tangible net worth ratio of not greater than 2.0 to 1.0, at all times tangible net worth to be no less than $9 million and the loan outstanding balance shall be limited to 70% of the sum of net accounts receivable, contributions receivable, special parcel tax and cash. The District was in compliance with these covenants at June 30, 2023 and 2022.

The District had unused credit remaining on the line of credit of $526,266 and $26,266 at June 30, 2023 and 2022, respectively.

16. LONG-TERM DEBT

The District's long-term debt transactions as of June 30, 2023, consisted of the following:

	Balance, June 30, 2022	Additions	Decreases / Amortization	Balance, June 30, 2023
GO Bond principal	$ 24,889,000	$ -	$ (2,159,000)	$ 22,730,000
Notes payable	654,135	2,750,660	(45,623)	3,359,172
	$ 25,543,135	$ 2,750,660	$ (2,204,623)	$ 26,089,172

The District's long-term debt transactions as of June 30, 2022, consisted of the following:

	Balance, June 30, 2021	Additions	Decreases / Amortization	Balance, June 30, 2022
GO Bond Principal	$ 26,526,000	$ 15,825,000	$ (17,462,000)	$ 24,889,000
Notes payable	226,170	608,487	(180,522)	654,135
	$ 26,752,170	$ 16,433,487	$ (17,642,522)	$ 25,543,135

General obligation bonds payable

On November 4, 2008, the District electorate approved the authorization to issue a total of $35,000,000 in general obligation bonds. On April 1, 2009, the District issued $12,000,000 principal amount of general obligation bonds (Sonoma Valley Health Care District General Obligation Bonds, Election of 2008, Series A 2009). Bond proceeds were to be used to pay for a portion of the costs of renovating and retrofitting the District's existing hospital facility, to purchase equipment, to refund outstanding indebtedness, to pay costs of issuance and to pay bond interest due August 1, 2009. $4,000,000 of the proceeds were used to refund all of the then outstanding Revenue Bonds. $8,000,000 of the proceeds and the proceeds from all future bonds authorized by the election will be used to construct a new central utility plant, improve utility infrastructure, make all necessary seismic upgrades to existing facilities, and purchase additional medical equipment and install information systems wiring (the "Project").

The Bonds are general obligations of the District payable from ad valorem taxes. In the event the District fails to provide sufficient funds for payment of principal and interest when due, a commercial insurance company has guaranteed to pay that portion of principal and interest for which funds are not available.

In August 2010, the District issued $23,000,000 of additional general obligation bonds (Sonoma Valley Health Care District General Obligation Bonds, Election of 2008, Series B (2010) in order to finance the second and final phase of the Project. During this phase, which was completed in February 2014, the District completed all construction and improvement aspects of the Project and finished purchasing the equipment budgeted in the Project.

16. LONG-TERM DEBT (continued)

General obligation bonds payable (continued)

In February 2014, the District issued $12,437,000 of additional general obligation bonds (2014 General Obligation Refunding Bonds), bearing interest at 3.78%, to refund all of the outstanding Sonoma Valley Health Care District General Obligation Bonds, Election of 2008, Series A 2009. The 2009 General Obligations Bonds were refunded in February 2014 and the funds were transferred to an escrow account held by a trustee until the bonds were fully called in August 2014. The balance of the 2014 General Obligation Refunding Bonds is $8,320,000 and $9,064,000 as of June 30, 2023 and 2022, respectively.

On August 10, 2021, the District issued $15,825,000 in par value 2021 General Obligation Refunding Bonds ("2021 Bonds") to refund in full the outstanding District General Obligations Bonds, Election of 2008, Series B (2010). Interest on the 2021 Bonds is payable semi-annually at a fixed rate of 1.79% with principal payments due annually beginning August 1, 2022 through August 1, 2031. The balance of the 2021 Bonds is $14,410,000 and $15,825,000 as of June 30, 2023 and 2022, respectively. The balance of the 2008 Series B (2010) bonds at June 30, 2021 was $16,790,000.

Notes payable

Notes payable are detailed as follows:

	2023	2022
California Health Facilities Financing Authority NDPH Bridge Loans, 3 loan agreements, 0% interest, due in FY 2024 and 2025. Secured by Medi-Cal payments.	$ 1,359,147	$ 608,487
California Health Facilities Financing Authority loan dated April 1, 2023; bearing interest at 2% with a maturity date of June 15, 2028. Secured by Medi-Cal payments.	2,000,000	-
CEC Loan Phase 1	25	45,648
	3,359,172	654,135
Current portion	(992,688)	(45,648)
	$ 2,366,484	$ 608,487

16. LONG-TERM DEBT (continued)

Debt service requirements

The future maturities of the long-term debt are as follows:

	General Obligation Bonds		Note Payable	
Year ending June 30,	Principal	Interest	Principal	Interest
2024	$ 2,277,000	$ 543,827	$ 992,688	$ 36,491
2025	2,406,000	484,472	1,142,589	28,737
2026	2,561,000	420,446	399,840	20,826
2027	2,728,000	351,130	407,911	12,755
2028	2,901,000	276,184	416,144	4,522
2029 - 2033	9,857,000	365,504	-	-
	$ 22,730,000	$ 2,441,563	$ 3,359,172	$ 103,331

Interest costs

Interest costs incurred on all outstanding debt during the year is summarized as follows:

	2023	2022
Interest cost:		
Paid	$ 903,145	$ 896,139
Accrued	194,867	217,399
Total interest expense	$ 1,098,012	$ 1,113,538

17. CAPITAL LEASE OBLIGATIONS

Capital lease obligations outstanding are as follows:

Description	Maturity	Interest Rates	Original Issue	June 30, 2023
Capital leases - equipment net of interest	February 2024	0%	$ 522,032	$ 85,976
Less current portion				(85,976)
				$ -

17. CAPITAL LEASE OBLIGATIONS (continued)

Description	June 30, 2022	Increases	Decreases	Outstanding June 30, 2023
Capital leases - equipment	$ 246,222	$ -	$ (160,246)	$ 85,976

Description	June 30, 2021	Increases	Decreases	Outstanding June 30, 2022
Capital leases - equipment	$ 617,422	$ -	$ (371,200)	$ 246,222

Future minimum lease payments of capital lease obligations are as follows:

Year ending June 30,	
2024	$ 85,976
	$ 85,976

18. EMPLOYEE BENEFITS PLAN

Defined contribution plan

The District contributes to a defined contribution pension plan (the "Plan") covering substantially all employees. Pension expense is recorded for the amount of the District's required contributions, determined in accordance with the terms of the Plan. The Plan is administered by the District's Board of Directors. The Plan provides retirement benefits to Plan members and death benefits to beneficiaries of Plan members. Benefit provisions are contained in the Plan document and are established and can be amended by action of the District's governing body. The Plan contribution by the District, expressed as a percentage of covered payroll, was 3.01% and 3.24% for 2023 and 2022, respectively.

Deferred compensation plans

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan is available to all employees and permits them to defer a portion of their salary. An employer match is also provided and is vested at the rate of 16.7% per year.

The District's contributions to both the defined contribution and the deferred compensation Plans totaled $470,653 and $504,805 for 2023 and 2022, respectively.

19. MEDICAL MALPRACTICE COVERAGE AND CLAIMS

The District has joined together with other providers of health care services to form Beta Healthcare Group ("Beta"), a public entity risk pool (the "Pool") currently operating as a common risk management and insurance program for its members. The District purchases medical malpractice insurance from the Pool under a claims-made policy. The District pays an annual premium to the Pool for its tort insurance coverage. The District purchases excess liability insurance through a commercial insurer for amounts in excess of the coverage provided under Beta. The Pool's governing agreements specifies that the Pool will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of stop-loss amounts. The District will accrue any malpractice losses in excess of all policy limits, if they are determined to be estimable and probable of occurrence. As of June 30, 2023 and 2022 , the District has determined that no accrual is required for such losses under the various medical malpractice policies in place.

20. WORKERS' COMPENSATION CLAIMS

The District is self-insured for workers' compensation claims of its employees up to $500,000, with commercial stop-loss insurance coverage purchased for claims in excess of these amounts through June 30, 2023. A liability is accrued for self-insured workers' compensation claims, including both claims reported and claims incurred but not yet reported of $1,079,260 and $945,000 as of June 30, 2023 and 2022, respectively. The District utilizes an actuary to estimate the ultimate costs to settle such claims. Estimated future payments related to workers' compensation claims have been discounted at a rate of 1% at June 30, 2023 and 2022 . It is reasonably possible that the District's estimate could change by a material amount in the near term.

21. TRANSACTIONS WITH SONOMA VALLEY HOSPITAL FOUNDATION

Sonoma Valley Hospital Foundation, Inc. (the "Foundation") is authorized by the District to solicit contributions on behalf of the Hospital. In the absence of donor restrictions, the Foundation has discretionary control over the amounts, timing and use of their distributions. The District recorded contributions from the Foundation of $2,937,472 in 2023 and $884,739 in 2022. As of June 30, 2023 the Foundation has donor restricted funds totaling $7,868,268 related to the outpatient diagnostic center capital campaign. At June 30, 2023 and 2022 , the Foundation's unaudited cash basis financial statements reported total net assets of $9,139,633 and $11,002,333, respectively. The Foundation is not considered a component unit of the District because the Foundation is not controlled by the District.

22. RELATED PARTY TRANSACTIONS

During 2010, the District contributed $100,000 to Meritage for the development of Prima Medical Foundation ("PMF"), a joint venture with Meritage, Marin Healthcare District ("MHD") and Marin Medical Practice Concepts, Inc. ("MMPC"). The PMF's purpose is establishing, operating and maintaining multi-specialty medical clinics. The successful establishment and operation of PMF in Marin and Sonoma Counties is expected to be a cornerstone in the District's plans to ensure adequate health care services to the greater Sonoma Area. The District's contribution from PMF totaled $121,360 for the year ended June 30, 2022. The District did not receive a contribution for the year ended June 30, 2023.

23. COMMITMENTS AND CONTINGENCIES

Litigation

The District is a defendant in various legal proceedings arising out of the normal conduct of its business. In the opinion of management and its legal representatives, the District has valid and substantial defenses, and settlements or awards arising from legal proceedings, if any, will not exceed existing insurance coverage, nor will they have a material adverse effect on the financial position, results of operations, or liquidity of the District.

Regulatory environment

The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services and Medicare and Medi-Cal fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. The District is subject to routine surveys and reviews by federal, state and local regulatory authorities. The District has also received inquiries at times from health care regulatory authorities regarding its compliance with laws and regulations. Although the District's management is not aware of any violations of laws and regulations, it has periodically received corrective action requests as a result of completed and ongoing surveys from applicable regulatory authorities. Management continually works in a timely manner to implement operational changes and procedures to address all corrective action requests from regulatory authorities. Breaches of these laws and regulations and non-compliance with survey corrective action requests could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

24. CHARITY CARE

During the years ended June 30, 2023 and 2022, the District incurred estimated costs of $113,240 and $249,737, respectively, in free or discounted services for underserved. This includes services provided to persons who have health care needs and are uninsured, under-insured and ineligible for a government program and are otherwise unable to pay for medically necessary care based on their individual financial situation. Costs are computed based on a relationship of costs to charges similar to a Medicare cost to charge ratio. During the years ended June 30, 2023 and 2022 there were 77 and 72 patient cases under this policy, respectively.

SUPPLEMENTARY INFORMATION

Uncompensated care

In September 2004, the District adopted a formal community benefits policy, developed under guidelines provided by the California Hospital Association and began to identify those patients who are medically indigent. The District's policy is to provide service to all who require it, regardless of their ability to pay. As such, it provides substantial amounts of uncompensated care. When this care is provided to patients who lack financial resources (and therefore are deemed medically indigent), it is classified as community benefits. When it is provided to patients who have the means to pay but decline to do so, it is classified as a provision for uncollectible accounts. Neither community benefits nor the provision for uncollectible accounts is reflected in net patient service revenues.

In addition, the District provides services to other medically indigent patients under certain government-reimbursed public aid programs. Such programs pay providers amounts that are less than established charges for the services provided to the recipients and frequently the payments are less than the cost of rendering the services. Finally, some undetermined portion of the provision for uncollectible accounts represents care to indigent patients whom the District has been unable to identify.

Uncompensated charges relating to these services are as follows:

	2023	2022
Community benefits (charity care) allowances	$ 113,240	$ 249,737
State Medi-Cal and other public aid programs	60,919,568	50,313,730
Provision for uncollectible accounts	1,850,000	2,000,000
	$ 62,882,808	$ 52,563,467

The District's estimated costs of providing uncompensated care and community benefits to the poor and the broader community are as follows:

	2023	2022
Uncompensated costs of community benefits and uncollectible accounts	$ 20,703	$ 23,777
Medi-Cal and other public aid programs	5,976,754	5,239,498
	$ 5,997,457	$ 5,263,275

Benefits for the broader community include the unpaid costs of providing service to the elderly, providing health screenings and other health-related services, training health professionals, educating the community with various seminars and classes and the costs associated with providing free clinics and other community service programs.

Sonoma Valley Health Care District
Supplementary Information Related to Community Support
For The Years Ended June 30, 2023 and 2022

Community support

The District recorded the following amounts related to community support as follows:

	2023	2022
Noncapital gifts and grants included in nonoperating income	$ 15,345	$ 86,784
Capital grants and contributions from Sonoma Valley Hospital Foundation	2,922,127	797,955
	$ 2,937,472	$ 884,739

SINGLE AUDIT REPORTS AND SCHEDULES

DRAFT

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 Board of Directors
Sonoma Valley Health Care District
Sonoma, 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 Sonoma Valley Health Care District (the "District"), which comprise the statements of net position as of June 30, 2023, and the related statements of revenues, expenses and change in net position, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated November 7, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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 financial statements. 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DRAFT

Armanino LLP
San Ramon, California

November 7, 2023

DRAFT

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Sonoma Valley Health Care District
Sonoma, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Sonoma Valley Health Care District (the "District")'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2023. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District’s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weakness or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

DRAFT

Armanino LLP
San Ramon, California

November 7, 2023

Sonoma Valley Health Care District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Provided to Subrecipients
Expenditures of Federal Awards				
U.S. Department of Health and Human Services				
Direct awards				
Provider Relief Fund General Distribution - Period 4	93.498		$ 173,982	$ -
American Rescue Plan (ARP) Rural Payments - Period 4	93.498		1,203,742	-
Total Expenditures of Federal Awards			$ 1,377,724	$ -

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Sonoma Valley Health Care District
Notes to Schedule of Expenditures of Federal Awards
June 30, 2023

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Sonoma Valley Health Care District (the "District") under programs of the federal government for the year ended June 30, 2023. In accordance with the reporting requirements established by the U.S. Department of Health and Human Services ("HHS"), the Provider Relief Funds reported in the Schedule for the year ended June 30, 2023 represent the funds received during the period July 1, 2021 to December 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements*, *Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

2. BASIS OF ACCOUNTING

Expenditures reported on the Schedule are reported on the accrual basis of accounting inaccordance with accounting principles generally accepted in the United States of America (U.S.GAAP). Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement. Pass-through entity identifying numbers are presented where available and applicable..

3. INDIRECT COST RATE

The District does not charge indirect costs to the HHS Awards and thus the 10% de minimis indirect cost rate is not applicable.

Sonoma Valley Health Care District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

Name of Federal Program or Cluster	Assistance Listing Number
Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498

Dollar threshold used to distinguish between Type A and Type B programs	$750,000
Auditee qualified as low-risk auditee?	No

Sonoma Valley Health Care District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

SECTION II - SUMMARY OF FINANCIAL STATEMENT FINDINGS

There are no financial statement findings to be reported.

SECTION III - SUMMARY OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no federal award findings to be reported.

Sonoma Valley Health Care District
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2023

There were no prior year findings.

To: Sonoma Valley Health Care District Finance Committee
From: Ben Armfield, Chief Financial Officer
Date: December 19, 2023
Subject: **Financial Report for November 2023**

1. OVERALL PERFORMANCE | MONTH

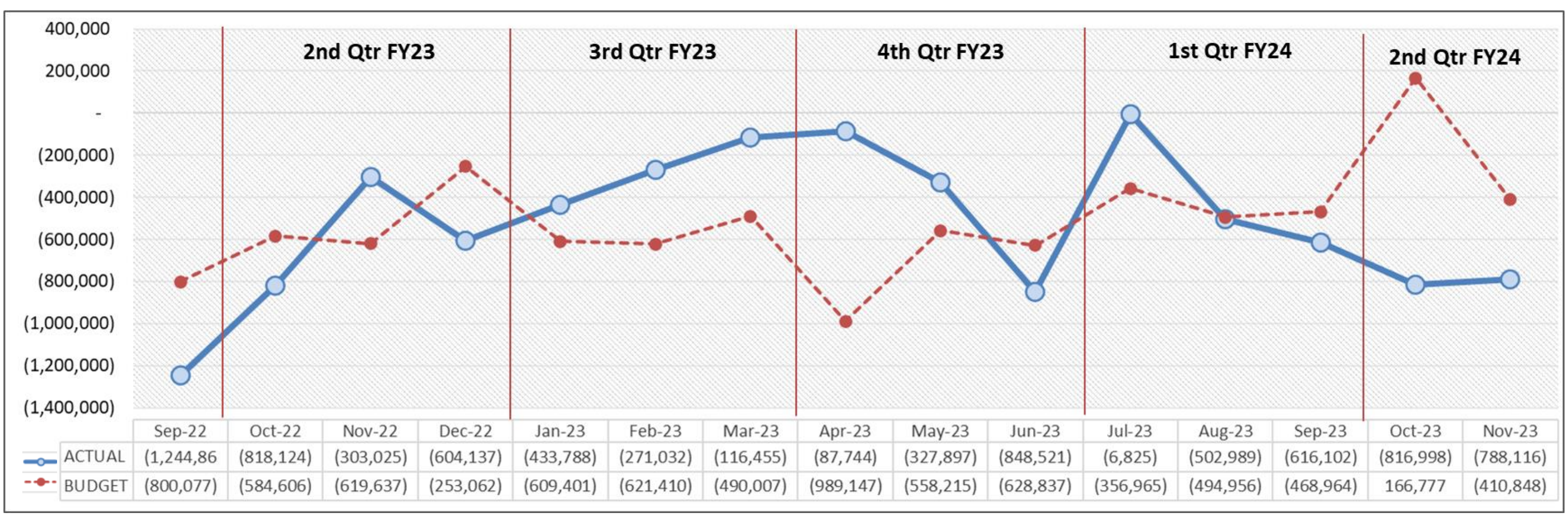
Like October, November's performance followed a similar pattern based on the past couple of months. November's operating margin of ($1,327,835) was unfavorable to our budget of ($683,815). While the hospital continues to demonstrate strength in certain areas, there are notable challenges that have impacted the hospital's financial results over the past number of months. Most notably, the reduction in surgical volumes, which was a factor for the 3rd straight month and key contributor to November's lower than anticipated revenues and overall performance gap vs budget. Surgeries did rebound somewhat compared to the last two months as our key surgeons returned from PTO, but mitigating this was a corresponding pullback in Orthopedic surgical volumes, which suppressed overall case numbers and patient revenues.

On the expense side, our overall operating costs did end up over budget for the month, but just like October, the overage was driven by depreciation expense due to placing additional costs of projects in-service. We ran under budget in operating expenses if you were to exclude depreciation.

Table 1 | Overall Performance - November 2023

	Current Year - Month		Variance		Current Year - YTD		Variance		Prior YTD	Variance	
	Actual	Budget	$	%	Actual	Budget	$	%	Actual	$	%
Operating Margin	$ (1,327,835)	$ (683,815)	$ (644,020)	-94%	$ (4,436,127)	$ (2,738,894)	$ (1,697,232)	-62%	$ (4,814,592)	$ 378,465	8%
Operating EBDA	$ (788,116)	$ (410,848)	$ (377,268)	-92%	$ (2,219,180)	$ (1,194,059)	$ (1,025,121)	-86%	$ (3,540,161)	$ 1,320,981	37%
Net Income (Loss)	$ (754,039)	$ 34,955	$ (788,994)	-2257%	$ (1,483,172)	$ 854,900	$ (2,338,072)	-273%	$ (1,337,426)	$ (145,746)	-11%

Graph 1.1 | SVH Trended Operating EBDA (excluding IGT funding)



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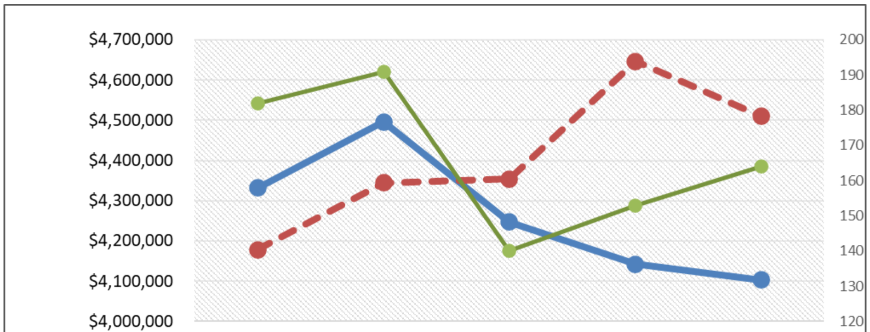
2. NET REVENUE AND VOLUME SUMMARY:

Table 2 | Net Patient Revenue – Actual vs. Budget - November 2023 (Excluding IGT)

	Month of November 2023				Year To Date November 2023						
	Current Year - Month		Variance		Current Year - YTD		Variance		Prior YTD	Variance	
	Actual	Budget	Var	%	Actual	Budget	$	%	Actual	$	%
Gross Revenue	$ 28,156,029	$ 29,311,020	$ (1,154,991)	-4%	$ 142,806,882	$ 142,328,835	$ 478,047	0%	$ 130,913,746	$11,893,135	9%
Net Patient Revenue	$ 3,999,554	$ 4,417,009	$ (417,455)	-9%	$ 20,874,335	$ 22,150,954	$ (1,276,619)	-6%	$ 19,635,551	$ 1,238,784	6%
NPR as a % of Gross	14.2%	15.1%	-5.7%		14.6%	15.6%	-6.1%		15.0%	-2.5%	
Tot Operating Revenue	$ 4,102,447	$ 4,509,815	$ (407,368)	-9%	$ 21,319,202	$ 22,614,984	$ (1,295,782)	-6%	$ 20,088,891	$ 1,230,310	6%

Graph 2.1 | SVH Trended Operating Revenue FY24 (excluding IGT funding)



	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23
ACTUAL	$4,332,181	$4,495,477	$4,246,942	$4,142,155	$4,102,447
BUDGET	$4,178,397	$4,344,966	$4,354,130	$4,646,791	$4,509,815
Total Surgeries	182	191	140	153	164

Volumes and associated revenues were the culprits in November's performance as both gross and net revenue missed budget. In respect to volumes, although we did see an increase in surgical activity compared to last couple of months, surgeries still came in under budget and the monthly levels we had been enjoying through the summer, and is the main reason why our total operating revenue fell short of budget by 10% in November.

NET REVENUE DRIVERS:

- **Surgical Volumes** – Surgical cases, although showing positive signs of recovery from previous months, still were lower than anticipated, running nearly 20% below budget for November. The result in November was disappointing, but it needs mentioning that Thanksgiving did play a disruptive role in the overall shortfall as we were actually on-track to surpass budget in surgical cases entering the week of Thanksgiving.

  - **Service-Line Surgical Volumes** – We did see a positive turnaround in general surgery and GI volumes as key surgeons returned from needed time off. However, that increase was mitigated by a reduction in Orthopedic volumes. Ortho cases experienced a significant decrease in November, falling 30% below our current fiscal year monthly average. We do believe some of this can be directed towards the holiday, but the drop is concerning. We don't anticipate this level of decrease to continue, but we do anticipate further volatility in Ortho cases through the remainder of this fiscal year given the pending retirement of one of our key ortho physicians later this year.

- **Emergency Room Volumes -** Emergency room volumes also continue to lag behind budget. The 780 visits in November represents a 20% deficit for the month and a 10% reduction from our fiscal year monthly average. As has been mentioned, the new medical group is still in the process of ramping up and getting settled. The overall feedback we have received from patients has been overwhelmingly positive, and we plan to ramp up marketing and PR efforts early calendar year 2024.

- **Payor Mix** – We experienced a shift in payor mix during November as we saw a higher than normal spike in Medi-Cal volumes. Medi-Cal revenues accounted for nearly 20% of our overall business during the month. While still under budget, this is up from the ~16% that we had been running so far this year. It is noteworthy that this is just one month and not indicative of a trend, but the shift did impact our net revenue for the month.

- **Case Mix** – Case mix acuity dropped in November. Our CMI (Case Mix Index) of 1.30 was nearly 7% lower than budget and year-to-date our CMI of 1.36 is 6% lower than prior year.

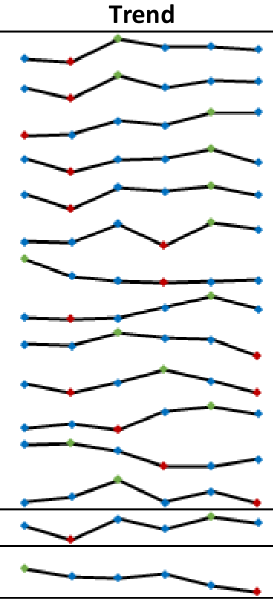
- **Managed Care Contracts** – We continue to aggressively pursue opportunities to renegotiate a number of our managed care contracts. Our year-to-date collection rate, or net revenue as a % of gross revenue, is hovering around 15%. That is low. Much has been discussed about the opportunities we are chasing and the agreements we are currently trying to renegotiate, but our net revenue performance is reflective of the gap that currently exists in our reimbursement rates. We are prioritizing this work as our revenue growth will continue to be constrained until some specific contracts are remedied.

Table 2.2 | Patient Volumes – November 2023

	Month of November 2023				Year To Date November 2023						
	Current Year		Variance		Current Year		Variance		Prior Year	Variance	
	Actual	Budget	Var	%	Actual	Budget	Var	%	Actual	Var	%
Acute Patient Days	278	261	17	7%	1,342	1,358	(16)	-1%	1,314	28	2%
Average Daily Census	9.3	8.7	0.6	7%	8.8	8.9	(0.1)	-1%	8.6	0.2	2%
Acute Discharges	73	56	17	31%	349	292	57	19%	314	35	11%
IP Surgeries	11	12	(1)	-8%	72	68	4	6%	77	(5)	-6%
OP Surgeries/Spec Proc	153	180	(27)	-15%	758	820	(62)	-8%	737	21	3%
Total Surgeries / Procedures	**164**	**192**	**(28)**	**-15%**	**830**	**888**	**(58)**	**-7%**	**814**	**16**	**2%**
Total Outpatient Visits	5,251	4,801	450	9%	25,448	22,643	2,805	12%	23,075	2,373	10%
Total ER Visits	780	998	(218)	-22%	4,212	4,772	(560)	-12%	4,203	9	0%

Table 2.3 | Outpatient Volumes Trended – Last 6 Months

Department	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Trend
Lab	1,206	1,173	1,380	1,308	1,312	1,284	
Medical Imaging	953	889	1,037	959	1,002	997	
Physical Therapy	765	795	1,052	968	1,207	1,195	
CT Scanner	381	344	379	381	407	370	
Occ. Health	288	182	336	311	348	280	
Mammography	225	222	288	209	296	271	
Occupational Therapy	606	278	191	150	184	211	
Ultrasound	208	205	207	222	239	220	
Wound Care	177	169	221	198	192	129	
MRI	126	114	127	144	129	114	
ECHO	104	108	102	119	124	117	
Speech Therapy	66	68	60	43	44	51	
Other	13	16	26	13	19	12	
TOTAL	**5,118**	**4,563**	**5,406**	**5,025**	**5,503**	**5,251**	
Emergency Room	915	869	861	884	818	780	



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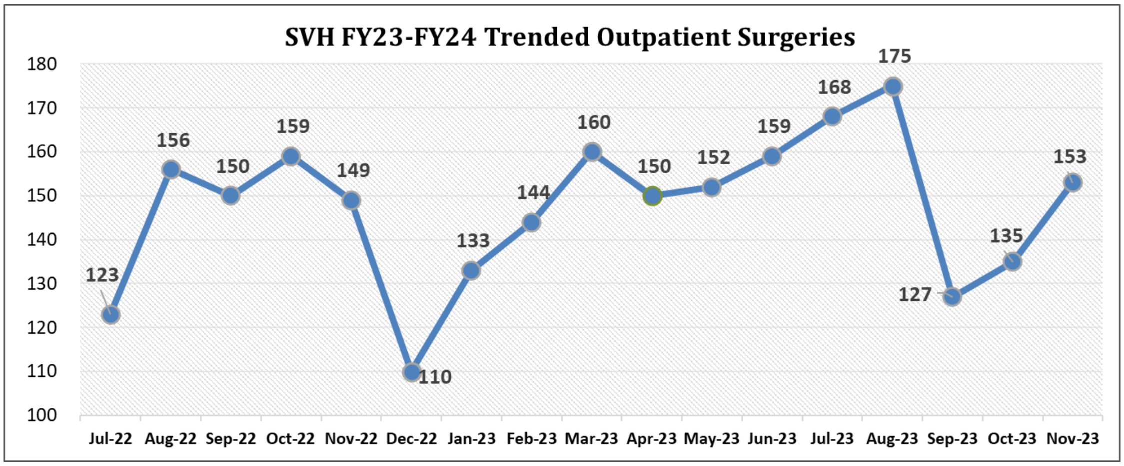
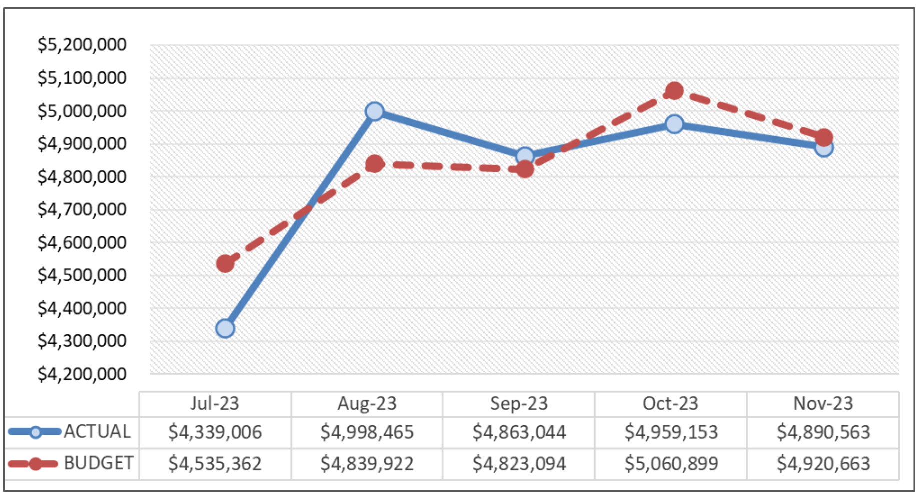


3. OPERATING EXPENSE SUMMARY:

Table 3 | Operating Expenses – Actual vs. Budget – November 2023 (Excluding IGT)

	Month of November 2023				Year To Date November 2023						
	Current Year - Month		Variance		Current Year - YTD		Variance		Prior YTD	Variance	
	Actual	Budget	Var	%	Actual	Budget	$	%	Actual	$	%
Operating Expenses	$ 5,430,282	$ 5,193,630	$ (236,652)	-5%	$ 26,267,177	$ 25,724,775	$ (542,402)	-2%	$ 24,903,483	$ (1,363,695)	-5%
Operating Expenses Excl. Depr.	$ 4,890,563	$ 4,920,663	$ 30,100	1%	$ 24,050,231	$ 24,179,940	$ 129,709	1%	$ 23,629,053	$ (421,178)	-2%
Worked FTEs	204.4	219.9	15.5	7%	214.6	215.5	0.9	0%	209.6	(5.0)	-2%

Graph 3.1 | SVH Trended Operating Revenue (excluding IGT funding) – FY24



We did run over budget in operating expenses for the month, coming in 5% over budget. As has been discussed at length in previous months, the variance is caused by incremental depreciation expense relating to the Epic implementation and ODC project. November is just like October on the expense side in that operating expenses actually ran under budget when excluding depreciation.

4. CASH ACTIVITY SUMMARY:

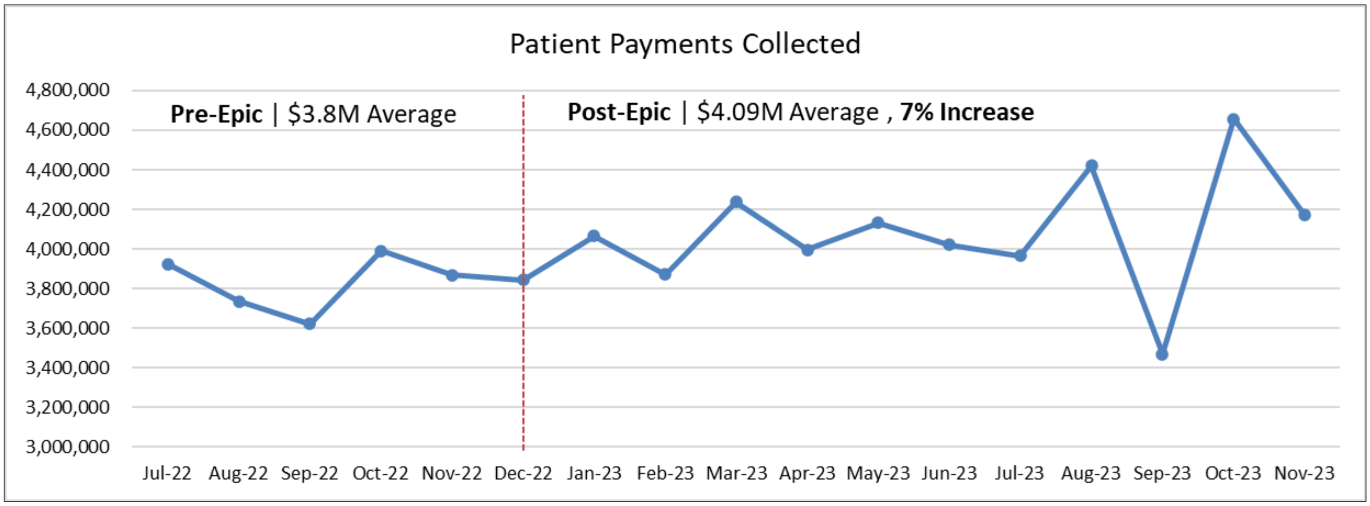
Table 4 | Cash / Revenue Cycle Indicators - November 2023

	Nov-23	Oct-23	Var	%
Days Cash on Hand	20.9	24.3	(3.4)	-14%
A/R Days	62.0	61.0	1.0	2%
A/P Days	48.3	42.9	5.4	12%

Although not quite as robust as October, cash collections were still solid as the hospital collected $4.1 million, which is a good month considering the shortened number of business days created by the Thanksgiving holiday. More importantly, it does provide more evidence that September's cash collection total was an outlier.

The month did see our days cash close right under 21.0. While low, we are confident that these levels are temporary. We anticipate a positive shift in Days Cash in the months ahead, especially as we start receiving additional funding sources. Most notably, we are expecting to receive $2.5 million from parcel taxes by the end of the month, which will help boost our cash position in the short-term, prior to receiving our larger IGT funds in 1st quarter calendar year 2024.

Graph 4.1 | Cash Collections Trended FY22 – Present | Pre-Epic v. Post-Epic



ATTACHMENTS:

- Attachment A is the Payer Mix Analysis
- Attachment B is the Operating Indicators Report
- Attachment C is the Balance Sheet
- Attachment D (two pages) is the Statement of Revenue and Expense. The first page breaks out the hospital operations and page two includes all other activity.
- Attachment E is the Trended Income Statement - ***New***
- Attachment F is the Cash Projection

Sonoma Valley Hospital
Payer Mix for the month of November, 2023

ATTACHMENT A

	MONTH				YEAR TO DATE			
Gross Revenue	**Actual**	**Budget**	**Variance**	**% Variance**	**Actual**	**Budget**	**Variance**	**% Variance**
Medicare	9,889,212	10,581,008	(691,797)	-2.4%	52,327,527	50,866,631	1,460,896	1.0%
Medicare Managed Care	5,440,998	5,024,921	416,077	1.4%	25,306,714	24,151,007	1,155,707	0.8%
Medi-Cal	5,173,924	5,625,999	(452,074)	-1.5%	23,076,882	26,931,851	(3,854,969)	-2.7%
Self Pay	313,441	161,866	151,576	0.5%	2,036,725	759,386	1,277,339	0.9%
Commercial & Other Government	6,526,267	6,809,512	(283,246)	-1.0%	35,952,979	32,505,764	3,447,215	2.5%
Worker's Comp.	796,733	1,082,951	(286,218)	-1.0%	4,026,820	5,145,379	(1,118,559)	-0.8%
Total	**28,140,575**	**29,286,257**	**(1,145,682)**	**-3.9%**	**142,727,647**	**140,360,019**	**2,367,628**	**1.7%**

	MONTH			YEAR TO DATE		
Payor Mix	**Actual**	**Budget**	**Variance**	**Actual**	**Budget**	**Variance**
Medicare	35.1%	36.1%	-1.0%	36.7%	36.2%	0.4%
Medicare Managed Care	19.3%	17.2%	2.2%	17.7%	17.2%	0.5%
Medi-Cal	18.4%	19.2%	-0.8%	16.2%	19.2%	-3.0%
Self Pay	1.1%	0.6%	0.6%	1.4%	0.5%	0.9%
Commercial & Other Government	23.2%	23.3%	-0.1%	25.2%	23.2%	2.0%
Worker's Comp.	2.8%	3.7%	-0.9%	2.8%	3.7%	-0.8%
Total	**100.0%**	**100.0%**		**100.0%**	**100.0%**	

SONOMA VALLEY HOSPITAL
OPERATING INDICATORS
For the Period Ended November 30, 2023

ATTACHMENT B

	CURRENT MONTH				YEAR-TO-DATE			YTD
	Actual 11/30/23	Budget 11/30/23	Favorable (Unfavorable) Variance		Actual 11/30/23	Budget 11/30/23	Favorable (Unfavorable) Variance	Prior Year 11/30/22
				Inpatient Utilization				
				Discharges				
1	57	44	13	Med/Surg	267	235	32	227
2	16	11	5	ICU	82	57	25	87
3	73	56	17	Total Discharges	349	292	57	314
				Patient Days:				
4	183	167	16	Med/Surg	908	885	23	814
5	95	94	1	ICU	434	473	(39)	500
6	278	261	17	Total Patient Days	1,342	1,358	(16)	1,314
7	28	-	28	**Observation days**	102	-	102	78
				Average Length of Stay:				
8	3.2	3.8	(0.6)	Med/Surg	3.40	3.77	(0.37)	3.6
9	5.9	8.2	(2.3)	ICU	5.29	8.23	(2.94)	5.7
10	3.8	4.7	(0.9)	Avg. Length of Stay	3.85	4.65	(0.80)	4.2
				Average Daily Census:				
11	6.1	5.6	0.5	Med/Surg	5.9	5.8	0.2	5.3
12	3.2	3.1	0.0	ICU	2.8	3.1	(0.3)	3.3
13	9.3	8.7	0.6	Avg. Daily Census	8.8	8.9	(0.1)	8.6
				Other Utilization Statistics				
				Emergency Room Statistics				
14	780	998	(218)	Total ER Visits	4,212	4,772	(560)	4,203
				Outpatient Statistics:				
15	5,251	4,501	750	Total Outpatients Visits	25,748	22,343	3,405	23,075
16	11	12	(1)	IP Surgeries	72	68	4	77
17	153	180	(27)	OP Surgeries / Special Procedures	758	805	(47)	737
18	331	247	83	Adjusted Discharges	1,577	1,247	330	1,358
19	1,259	1,157	102	Adjusted Patient Days	6,090	5,796	294	5,737
20	42.0	38.6	3.4	Adj. Avg. Daily Census	39.8	37.9	1.9	37.5
21	1.2239	1.4000	(0.176)	Case Mix Index -Medicare	1.3763	1.4000	(0.024)	1.5080
22	1.3059	1.4000	(0.094)	Case Mix Index - All payers	1.3559	1.4000	(0.044)	1.4459
				Labor Statistics				
23	204	220	16	FTE's - Worked	215	216	0.9	210
24	237	242	5	FTE's - Paid	238	237	(0.6)	233
25	48.38	49.71	1.33	Average Hourly Rate	48.67	52.04	3.38	49.51
26	5.65	6.28	0.63	FTE / Adj. Pat Day	5.98	6.26	0.29	6.22
27	32.2	35.8	3.6	Manhours / Adj. Pat Day	34.1	35.7	1.6	35.4
28	122.5	167.6	45.0	Manhours / Adj. Discharge	131.6	165.9	34.3	149.7
29	25.7%	24.3%	-1.4%	Benefits % of Salaries	24.8%	24.6%	-0.3%	23.7%
				Non-Labor Statistics				
30	17.1%	15.0%	-2.1%	Supply Expense % Net Revenue	16.0%	14.3%	-1.7%	17.0%
31	2,067	2,684	617	Supply Exp. / Adj. Discharge	2,192	2,534	342	2,452
32	16,559	21,220	4,660	Total Expense / Adj. Discharge	16,933	20,988	4,055	18,514
				Other Indicators				
33	20.9			Days Cash - Operating Funds				
34	62.0	50.0	12.0	Days in Net AR	63.1	50.0	13.1	38.2
35	103%			Collections % of Cash Goal	99%			102.6%
36	48.3	55.0	(6.7)	Days in Accounts Payable	48.3	55.0	(6.7)	47.0
37	14.2%	15.1%	-0.9%	% Net revenue to Gross revenue	15.1%	15.6%	-0.4%	15.0%
38	34.2%			% Net AR to Gross AR	34.2%			14.8%

Sonoma Valley Health Care District **ATTACHMENT C**

Balance Sheet

As of November 30, 2023

UNAUDITED

		Current Month	Prior Month	Prior Year
	Assets			
	Current Assets:			
1	Cash	$ 667,651	$ 996,299	$ 2,132,793
2	Cash - Money Market	2,608,047	2,607,527	2,096,825
3	Net Patient Receivables	10,523,979	10,664,349	6,178,786
4	Allow Uncollect Accts	(2,464,586)	(2,381,401)	(1,346,537)
5	Net A/R	8,059,393	8,282,948	4,832,249
6	Other Accts/Notes Rec	2,421,613	2,148,958	1,382,669
7	Parcel Tax Receivable	3,800,000	3,800,000	3,800,000
8	GO Bond Tax Receivable	2,401,190	2,401,190	2,601,816
9	3rd Party Receivables, Net	57,192	701,470	102,551
10	Inventory	1,009,615	1,006,348	1,048,925
11	Prepaid Expenses	1,052,757	1,085,074	929,929
12	Total Current Assets	$ 22,077,458	$ 23,029,813	$ 18,927,758
13	Property,Plant & Equip, Net	$ 56,480,972	$ 56,867,997	$ 54,323,923
14	Trustee Funds - GO Bonds	3,505,021	3,490,070	3,526,127
15	Designated Funds - Board Approved	-	-	1,000,000
16	**Total Assets**	**$ 82,063,451**	**$ 83,387,880**	**$ 77,777,808**
	Liabilities & Fund Balances			
	Current Liabilities:			
17	Accounts Payable	$ 6,838,369	$ 6,778,660	$ 5,146,825
18	Accrued Compensation	4,274,894	4,203,162	4,079,870
19	Interest Payable - GO Bonds	152,552	103,539	147,163
20	Accrued Expenses	367,529	213,569	729,293
21	Advances From 3rd Parties	-	-	-
22	Deferred Parcel Tax Revenue	2,216,665	2,533,332	2,216,669
23	Deferred GO Bond Tax Revenue	1,526,855	1,744,977	1,449,636
24	Current Maturities-LTD	217,475	217,475	217,475
25	Line of Credit - Union Bank	4,973,734	4,973,734	5,473,734
26	Other Liabilities	57,511	57,511	60,591
27	Total Current Liabilities	$ 20,625,584	$ 20,825,960	$ 19,521,257
28	Long Term Debt, net current portion	$ 26,479,911	$ 26,849,924	$ 24,620,441
29	Fund Balances:			
30	Unrestricted	$ 21,038,641	$ 21,038,642	$ 18,142,413
31	Restricted	13,919,314	14,673,353	15,493,697
32	Total Fund Balances	$ 34,957,956	$ 35,711,995	$ 33,636,110
33	**Total Liabilities & Fund Balances**	**$ 82,063,451**	**$ 83,387,880**	**$ 77,777,808**

ATTACHMENT D

Sonoma Valley Health Care District
Statement of Revenue and Expenses
For the Period Ended November 30, 2023

	Month					Year-To- Date				YTD
	This Year		Variance			This Year		Variance		
	Actual	Budget	$	%		Actual	Budget	$	%	Prior Year
					Volume Information					
1	73	56	17	31%	Acute Discharges	349	292	57	19%	314
2	278	261	17	7%	Patient Days	1,342	1,358	(16)	-1%	1,314
3	28	-	28	0%	Observation Days	102	-	102	*	78
4	$ 21,941	$ 22,705	$ (764)	-3%	Gross O/P Revenue (000's)	$ 111,152	$ 109,022	$ 2,130	2%	$ 100,443
					Financial Results					
					Gross Patient Revenue					
5	$ 6,215,214	$ 6,605,677	$ (390,463)	-6%	Inpatient	$ 31,654,635	$ 33,307,061	(1,652,426)	-5%	$ 30,352,892
6	14,065,738	13,501,662	564,076	4%	Outpatient	68,702,370	65,586,744	3,115,627	5%	58,548,464
7	7,875,077	9,203,681	(1,328,604)	-14%	Emergency	42,449,876	43,435,030	(985,154)	-2%	42,012,390
8	**$ 28,156,029**	**$ 29,311,020**	**(1,154,991)**	**-4%**	**Total Gross Patient Revenue**	**$ 142,806,882**	**$ 142,328,835**	**478,047**	**0%**	**$ 130,913,746**
					Deductions from Revenue					
9	(24,259,529)	(24,717,987)	458,458	2%	Contractual Discounts	$ (122,055,964)	$ (119,954,281)	(2,101,683)	-2%	$ (110,410,514)
10	(106,666)	(146,164)	39,498	27%	Bad Debt	66,590	(96,450)	163,040	169%	(656,647)
11	209,720	(29,860)	239,580	802%	Charity Care Provision	56,828	(127,150)	183,978	*	(211,034)
12	-	-	-	*	Prior Period Adj/Government Program Revenue	723,542	580,885	142,657	25%	-
13	**$ (24,156,475)**	**$ (24,894,011)**	**737,536**	**-3%**	**Total Deductions from Revenue**	**$ (121,209,004)**	**$ (119,596,996)**	**(1,612,008)**	**1%**	**$ (111,278,195)**
14	**$ 3,999,554**	**$ 4,417,009**	**(417,455)**	**-9%**	**Net Patient Service Revenue**	**$ 21,597,877**	**$ 22,731,839**	**(1,133,962)**	**-5%**	**$ 19,635,551**
15	$ 102,893	$ 92,806	10,087	**11%**	Other Op Rev & Electronic Health Records	$ 444,867	$ 464,030	(19,163)	-4%	$ 453,340
16	**$ 4,102,447**	**$ 4,509,815**	**(407,368)**	**-9%**	**Total Operating Revenue**	**$ 22,042,744**	**$ 23,195,869**	**$ (1,153,125)**	**-5%**	**$ 20,088,891**
					Operating Expenses					
17	$ 1,959,289	$ 2,057,671	98,382	5%	Salary and Wages and Agency Fees	$ 10,096,575	$ 10,196,597	100,023	1%	$ 10,065,953
18	771,746	725,975	(45,771)	-6%	Employee Benefits	3,698,985	3,621,537	(77,448)	-2%	3,456,661
19	$ 2,731,035	$ 2,783,646	52,611	2%	Total People Cost	$ 13,795,560	$ 13,818,134	22,574	0%	$ 13,522,614
20	$ 567,236	$ 636,871	69,635	11%	Med and Prof Fees (excld Agency)	$ 2,836,827	$ 3,119,807	282,980	9%	$ 2,879,226
21	683,130	663,076	(20,054)	-3%	Supplies	3,455,936	3,160,273	(295,663)	-9%	3,330,452
22	563,672	476,453	(87,219)	-18%	Purchased Services	2,084,511	2,102,138	17,627	1%	2,163,585
23	539,719	272,967	(266,752)	-98%	Depreciation	2,216,946	1,544,835	(672,111)	-44%	1,274,430
24	136,391	174,119	37,728	22%	Utilities	753,821	895,596	141,775	16%	829,195
25	66,583	51,758	(14,825)	-29%	Insurance	349,511	333,789	(15,722)	-5%	282,842
26	49,503	32,094	(17,409)	-54%	Interest	263,138	190,470	(72,668)	-38%	174,930
27	93,013	102,646	9,633	9%	Other	510,926	559,732	48,806	9%	446,208
28	-	-	-	*	Matching Fees (Government Programs)	211,693	209,988	(1,705)	1%	0
29	**$ 5,430,282**	**$ 5,193,630**	**(236,652)**	**-5%**	**Operating expenses**	**$ 26,478,870**	**$ 25,934,763**	**(544,107)**	**-2.1%**	**$ 24,903,483**
30	**$ (1,327,835)**	**$ (683,815)**	**$ (644,020)**	**-94%**	**Operating Margin**	**$ (4,436,127)**	**$ (2,738,894)**	**(1,697,232)**	**-62%**	**$ (4,814,592)**

ATTACHMENT D

Sonoma Valley Health Care District
Statement of Revenue and Expenses
For the Period Ended November 30, 2023

	Month					Year-To- Date				YTD
	This Year		Variance			This Year		Variance		
	Actual	Budget	$	%		Actual	Budget	$	%	Prior Year
					Non Operating Rev and Expense					
31	$ 3,662	$ 4,744	(1,082)	-23%	Miscellaneous Revenue/(Expenses)	$ 101,575	$ 23,664	77,911	*	$ 13,408
32	-	-	-	0%	Donations	-	-	-	0%	-
33	-	-	-	*	Physician Practice Support-Prima	-	-	-	*	-
34	316,667	316,667	-	0%	Parcel Tax Assessment Rev	1,583,335	1,583,335	-	0%	1,583,335
35	-	-	-	0%	Extraordinary Items	-	-	-	0%	-
36	**$ 320,329**	**$ 321,411**	**(1,082)**	**0%**	**Total Non-Operating Rev/Exp**	**$ 1,684,910**	**$ 1,606,999**	**77,911**	**5%**	**$ 1,596,743**
37	**$ (1,007,506)**	**$ (362,404)**	**(645,102)**	**-178%**	**Net Income / (Loss) prior to Restricted Contributions**	**$ (2,751,217)**	**$ (1,131,895)**	**(1,619,322)**	**-143%**	**$ (3,217,848)**
38	$ -	$ -	-	0%	Capital Campaign Contribution	$ -	$ -	-	0%	$ -
39	$ 78,280	$ 238,530	(160,250)	0%	Restricted Foundation Contributions	$ 396,878	$ 1,192,650	(795,772)	100%	$ 1,087,675
40	**$ (929,226)**	**$ (123,874)**	**(805,352)**	**-650%**	**Net Income / (Loss) w/ Restricted Contributions**	**$ (2,354,339)**	**$ 60,755**	**(2,415,094)**	*****	**$ (2,130,173)**
41	175,187	158,829	16,358	10%	GO Bond Activity, Net	871,167	794,145	77,022	10%	792,748
42	**$ (754,039)**	**$ 34,955**	**(788,994)**	**2257%**	**Net Income/(Loss) w GO Bond Activity**	**$ (1,483,172)**	**$ 854,900**	**(2,338,072)**	*****	**$ (1,337,426)**
	$ (467,787)	$ (89,437)	(378,350)		**EBDA - Not including Restricted Contributions**	$ (534,271)	$ 412,940	(947,211)		$ (1,943,418)
	$ (788,116)	**$ (410,848)**	**(377,268)**	**-92%**	**Operating EBDA - Not including Restricted Contributions**	**$ (2,219,180)**	**$ (1,194,059)**	**(1,025,121)**	**-86%**	**$ (3,540,161)**

Sonoma Valley Health Care District
FY24 Trended Income Statement
For the Period Ended November 30, 2023

ATTACHMENT E

		July	August	September	October	November	FY24 YTD
1	Acute Discharges	58	67	69	82	73	349
2	Patient Days	235	286	252	291	278	1,342
3	Observation Days	17	17	20	20	28	102
4	Gross O/P Revenue (000's)	$ 22,427	$ 23,002	$ 20,977	$ 22,806	$ 21,941	$ 111,152
	Gross Patient Revenue						
5	Inpatient	$ 5,270,930	$ 6,185,291	$ 7,042,659	$ 6,940,541	$ 6,215,214	$ 31,654,635
6	Outpatient	13,362,380	14,480,581	12,732,428	14,061,243	14,065,738	68,702,370
7	Emergency	9,064,276	8,521,398	8,244,129	8,744,996	7,875,077	42,449,876
8	**Total Gross Patient Revenue**	**$ 27,697,586**	**$ 29,187,271**	**$ 28,019,216**	**$ 29,746,780**	**$ 28,156,029**	**$ 142,806,882**
	Deductions from Revenue						
9	Contractual Discounts	(23,186,323)	(24,519,220)	(23,700,704)	(25,666,646)	(24,259,529)	(121,332,422)
10	Bad Debt	(100,000)	(150,286)	(150,000)	(150,000)	(106,666)	(656,952)
11	Charity Care Provision	(164,591)	(109,767)	(5,598)	127,064	209,720	56,828
12	Prior Period Adj/Government Program Rev	-	-	-	723,542	-	723,542
13	**Total Deductions from Revenue**	**$ (23,450,914)**	**$ (24,779,273)**	**$ (23,856,302)**	**$ (24,966,040)**	**$ (24,156,475)**	**$ (121,209,004)**
14	**Net Patient Service Revenue**	**$ 4,246,672**	**$ 4,407,997**	**$ 4,162,914**	**$ 4,780,740**	**$ 3,999,554**	**$ 21,597,877**
15	Other Op Rev & Electronic Health Records	$ 85,509	$ 87,480	$ 84,028	$ 84,957	$ 102,893	$ 444,867
16	**Total Operating Revenue**	**$ 4,332,181**	**$ 4,495,477**	**$ 4,246,942**	**$ 4,865,697**	**$ 4,102,447**	**$ 22,042,744**
	Operating Expenses						
17	Salary and Wages and Agency Fees	$ 1,945,424	$ 2,110,281	$ 1,945,277	$ 2,136,304	$ 1,959,289	$ 10,096,575
18	Employee Benefits	735,985	707,955	744,685	738,614	771,746	3,698,985
19	Total People Cost	$ 2,681,409	$ 2,818,236	$ 2,689,962	$ 2,874,918	$ 2,731,035	$ 13,795,560
20	Med and Prof Fees (excld Agency)	$ 557,320	$ 599,056	$ 541,334	$ 571,881	$ 567,236	$ 2,836,827
21	Supplies	460,649	762,524	752,597	797,037	683,130	3,455,936
22	Purchased Services	305,875	410,360	431,618	372,986	563,672	2,084,511
23	Depreciation	240,214	238,993	501,633	696,387	539,719	2,216,946
24	Utilities	157,932	159,965	197,864	101,670	136,391	753,821
25	Insurance	66,583	81,160	66,697	68,488	66,583	349,511
26	Interest	42,598	43,202	71,611	56,224	49,503	263,138
27	Other	66,641	123,963	111,361	115,949	93,013	510,926
28	Matching Fees (Government Programs)	-	-	-	211,693	-	211,693
29	**Operating expenses**	**$ 4,579,220**	**$ 5,237,458**	**$ 5,364,677**	**$ 5,867,233**	**$ 5,430,282**	**$ 26,478,870**
30	**Operating Margin**	**$ (247,039)**	**$ (741,982)**	**$ (1,117,735)**	**$ (1,001,536)**	**$ (1,327,835)**	**$ (4,436,127)**
	Non Operating Rev and Expense						
31	Miscellaneous Revenue/(Expenses)	$ 27,167	$ 15,794	$ 12,459	$ 42,493	$ 3,662	$ 101,575
32	Donations	-	-	-	-	-	-
33	Physician Practice Support-Prima	-	-	-	-	-	-
34	Parcel Tax Assessment Rev	316,667	316,667	316,667	316,667	316,667	1,583,335
35	Extraordinary Items	-	-	-	-	-	-
36	**Total Non-Operating Rev/Exp**	**$ 343,834**	**$ 332,461**	**$ 329,126**	**$ 359,160**	**$ 320,329**	**$ 1,684,910**
37	**Net Income / (Loss) prior to Rest. Cont.**	**$ 96,795**	**$ (409,521)**	**$ (788,609)**	**$ (642,376)**	**$ (1,007,506)**	**$ (2,751,217)**
38	Capital Campaign Contribution	$ -	$ -	$ -	$ -	$ -	$ -
39	Restricted Foundation Contributions	1,638	103,076	213,884	-	78,280	396,878
40	**Net Income / (Loss) w/ Rest. Cont.**	**$ 98,433**	**$ (306,445)**	**$ (574,725)**	**$ (642,376)**	**$ (929,226)**	**$ (2,354,339)**
41	GO Bond Activity, Net	170,419	175,187	175,187	175,187	175,187	871,167
42	**Net Income/(Loss) w GO Bond Activity**	**$ 268,852**	**$ (131,258)**	**$ (399,538)**	**$ (467,189)**	**$ (754,039)**	**$ (1,483,172)**
	EBDA - Not including Restricted Contributions	$ 337,009	$ (170,528)	$ (286,976)	$ 54,011	$ (467,787)	$ (534,271)
	Operating EBDA	**$ (6,825)**	**$ (502,989)**	**$ (616,102)**	**$ (305,149)**	**$ (788,116)**	**$ (2,219,180)**
	Operating EBDA excl IGT	**$ (6,825)**	**$ (502,989)**	**$ (616,102)**	**$ (816,998)**	**$ (788,116)**	**$ (2,731,029)**

Sonoma Valley Hospital **ATTACHMENT F**
Cash Forecast
FY 2024

		Actual July	Actual Aug	Actual Sept	Actual Oct	Actual Nov	Forecast Dec	Forecast Jan	Forecast Feb	Forecast Mar	Forecast Apr	Forecast May	Forecast Jun	TOTAL
	Hospital Operating Sources													
1	Patient Payments Collected	3,964,672	4,421,352	3,469,614	4,656,688	4,673,049	4,485,423	4,575,840	4,575,840	4,575,840	4,575,840	4,575,840	4,575,840	53,125,839
2	Other Operating Revenue	26,197	172,302	37,453	95,192	283,068	40,390	43,299	100,254	65,455	150,750	228,646	115,291	1,358,296
3	Other Non-Operating Revenue	42,960	4,386	10,108	43,877	12,352	7,800	7,800	7,800	7,800	7,800	7,800	7,800	168,283
4	Unrestricted Contributions		1,250	861	2,651	7,716								12,478
5	Line of Credit													-
	Sub-Total Hospital Sources	**4,033,829**	**4,599,290**	**3,518,037**	**4,798,408**	**4,976,185**	**4,533,613**	**4,626,939**	**4,683,894**	**4,649,095**	**4,734,390**	**4,812,286**	**4,698,931**	**54,664,897**
	Hospital Uses of Cash													
6	Operating Expenses	5,152,114	5,121,241	4,128,841	4,998,884	5,056,542	4,881,548	4,984,096	4,828,418	5,073,479	4,946,353	5,034,948	4,814,191	59,020,655
7	Add Capital Lease Payments	64,932	65,051	389,160	194,558	370,013								1,083,714
8	Add: Bridge Loan Paybacks									608,487				608,487
9	Add: CHFFA Help II Loan Repayments	30,833	30,833	30,833	30,833	30,833	30,833	30,833	30,833	30,833	30,833	30,833	30,833	369,996
10	Line of Credit Paydown								3,100,000					3,100,000
11	Capital Expenditures	157,689	152,213	177,157	27,616	116,996	-	1,795,430	425,000	1,370,430	-	1,120,430	452,527	5,795,488
	Total Hospital Uses	**5,405,567**	**5,369,338**	**4,725,991**	**5,251,892**	**5,574,384**	**4,912,381**	**6,810,359**	**8,384,251**	**7,083,229**	**4,977,186**	**6,186,211**	**5,297,551**	**69,978,339**
	Net Hospital Sources/Uses of Cash	**(1,371,738)**	**(770,048)**	**(1,207,954)**	**(453,483)**	**(598,199)**	**(378,768)**	**(2,183,420)**	**(3,700,357)**	**(2,434,135)**	**(242,796)**	**(1,373,926)**	**(598,620)**	**(15,313,443)**
	Non-Hospital Sources													
12	Restricted Cash/Money Market	500,000	500,000	750,000	1,250,000		500,000	(3,000,000)						500,000
13	Restricted Capital Donations	1,638	101,826	213,023	6,249	85,272		520,430		520,430		520,430	258,577	2,227,875
14	Parcel Tax Revenue	179,984					2,100,000				1,520,016			3,800,000
15	Other Payments							1,100,000	400,000					1,500,000
16	Other:													-
17	IGT					684,280				4,716,000	820,933		41,568	6,262,781
18	IGT - AB915										227,253			227,253
19	QIP				39,262							-		39,262
20	Distressed Hospital Loan Program							3,100,000						
	Sub-Total Non-Hospital Sources	**681,622**	**601,826**	**963,023**	**1,295,511**	**769,552**	**2,600,000**	**1,720,430**	**400,000**	**5,236,430**	**2,568,202**	**520,430**	**300,145**	**14,557,170**
	Non-Hospital Uses of Cash													
21	Matching Fees				211,693			2,168,000	240,898	-	-	20,784		2,641,375
	Sub-Total Non-Hospital Uses of Cash	-	-	-	211,693	-	-	2,168,000	240,898	-	-	20,784	-	2,641,375
	Net Non-Hospital Sources/Uses of Cash	**681,622**	**601,826**	**963,023**	**1,083,818**	**769,552**	**2,600,000**	**(447,570)**	**159,102**	**5,236,430**	**2,568,202**	**499,646**	**300,145**	**11,915,795**
	Net Sources/Uses	**(690,116)**	**(168,222)**	**(244,931)**	**630,334**	**171,352**	**2,221,232**	**(2,630,990)**	**(3,541,255)**	**2,802,295**	**2,325,406**	**(874,280)**	**(298,475)**	
	Operating Cash at beginning of period	1,469,233	779,117	610,895	365,964	996,299	1,167,651	3,388,883	757,894	(2,783,361)	18,934	2,344,340	1,470,061	
	Operating Cash at End of Period	**779,117**	**610,895**	**365,964**	**996,299**	**1,167,651**	**3,388,883**	**757,894**	**(2,783,361)**	**18,934**	**2,344,340**	**1,470,061**	**1,171,585**	
	Money Market Account - Undesignated	4,604,866	4,105,982	3,356,852	2,106,852	2,106,852	1,606,852	4,606,852	4,606,852	4,606,852	4,606,852	4,606,852	4,606,852	
	Total Cash at End of Period	**5,383,983**	**4,716,877**	**3,722,817**	**3,103,151**	**3,274,503**	**4,995,736**	**5,364,746**	**1,823,491**	**4,625,787**	**6,951,193**	**6,076,913**	**5,778,438**	
	Average Days of Cash on Hand	**40.1**	**35.8**	**26.3**	**25.5**	**20.5**								
	Days of Cash on Hand at End of Month	**39.7**	**33.3**	**25.6**	***21.9***	***20.9***	***35.3***	***37.9***	***12.9***	***32.7***	***49.1***	***42.9***	***40.8***	