



SUBJECT: Finance and Audit Committee Charter

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REVISED: 02.25.25

EFFECTIVE: 03.06.25

PURPOSE:

This charter sets forth the duties and responsibilities and governs the operations of the Finance and Audit Committee (“FC”) of the Board of Directors (“BOD”) of Sonoma Valley Health Care District (“SVHCD”), a nonprofit corporation organized and existing under the California Law.

The FC’s purpose is to assist the BOD in its oversight of the SVHCD’s financial affairs, including SVHCD’s financial condition, financial planning, operational, and capital budgeting, debt structure, debt financing and refinancing and other significant financial matters involving the SVHCD. The FC is the body which makes recommendations to the BOD on all financial decisions.

In addition to the above duties, the FC will assist the BOD in its annual audit process. Subject to the ultimate authority of the BOD, the FC shall select, engage and oversee SVHCD’s outside auditor and approve and oversee all audit services provided by SVHCD’s outside auditor.

RESPONSIBILITIES:

Review Monthly Financial Operating Performance

- Review the SVHCD’s financial operating performance. The FC will review the financial statements, prepared by management. The FC, on a periodic basis will review the FC and BOD financial reporting package and recommend reports changes as needed. The FC will also review other financial indicators as warranted.
- Review management’s plan for improved financial and operational performance including but not limited to new patient care programs, cost management plans, and new financial arrangements. The FC will make recommendations to the BOD when necessary.

Budgets

- Review and recommend to the BOD for approval an annual operating budget for the SVHCD.
- Review management’s budget assumptions including volume, growth, inflation, and other budget assumptions.
- Review and recommend to the BOD for approval an annual capital expenditures budget, and unbudgeted capital expenditures for SVHCD. If deemed appropriate by the FC, review and recommend to the BOD for approval projected capital expenditures budgets for one or more succeeding years.

Debt, Financing, and Refinancing



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- In collaboration with management, evaluate and monitor SVHCD's long and short-term indebtedness, debt structure, collateral or security, therefore, cash flows, and uses and applications of funds.
- Evaluate and recommend to the BOD for approval proposed new debt financing, including lines of credit, financings and refinancing, including (i) interest rate and whether the rate will be fixed or floating rate; (ii) collateral or security, if any; (iii) issuance costs; (iv) banks, investment banks, and underwriters retained or compensated by SVHCD in connection with any financing or refinancing.
- Review and recommend to the BOD all guarantees or other obligations for the indebtedness of any third party.

Insurance

- Review on an annual basis all insurance coverage, including (i) identity and rating of carriers; (ii) premiums; (iii) retentions; (iv) self-insurance; (v) stop-loss policies; and (vi) all other aspects of insurance coverage for healthcare institutions. Receive and review report from outside broker regarding adequacy of coverage.

Investment Policies

- In collaboration with management, review and recommend to the BOD, SVHCD's cash management and cash investment policies, utilizing the advice of financial consultants as the FC deems necessary or desirable. On an annual basis review Investment Policy and recommend changes as needed.
- Review and recommend to the BOD, SVHCD's investment policies relating to assets of any employee benefit plans maintained and controlled by SVHCD, utilizing the advice of financial consultants as the FC deems necessary or desirable.

Information Technology and Cyber Security

- On an annual basis, review the Information Technology and Cyber Security policy along with a report from management describing the risk environment and how SVHCD is responding.
- Engage third party consultants as deemed appropriate to supplement managements analysis.

Audit Responsibilities

- Recommend the appointment and compensation of the independent auditor and provide oversight of the annual financial audit process. The independent auditor shall report directly to the FC.
- Establish policies and procedures for the review and pre-approval by the FC of all auditing services.
- Review and discuss with the independent auditor: (a) its audit plans and audit procedures, including the scope, fees and timing of the audit; (b) the results of the



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annual audit examination; and (c) the annual financial statements audited by the independent auditor.

- Review the annual financial audit with management and determine whether to recommend the acceptance of the audit to the BOD.
- Review with the independent auditor its judgment as to the quality, and not just the acceptability, of SVHCD's accounting practices and internal controls, and such other matters as are required to be discussed with the AC under generally accepted auditing standards.
- Review with the independent auditor and management any changes or improvements in financial or accounting practices that are necessary or desirable, and the extent to which any changes or improvements previously approved by the FC have been implemented.
- Review with the independent auditor any audit problems or difficulties and management's response to these issues.
- Oversee the resolution of any disputes between management and the independent auditor if and when such disputes arise.

General

- On an annual basis prepare a work plan responsive to the duties outlined in this Charter and the current needs of the organization. Submit to Board for approval.
- In collaboration with management, review and recommend the services of all outside financial advisors, financial consultants, banks, investment banks, and underwriters for SVHCD. Review annually SVHCD's significant commercial and investment bank relationships.
- Review and recommend consideration of any acquisition, merger, combination, or affiliation with another healthcare enterprise.
- Perform any other duties and responsibilities as the BOD may deem necessary, advisable or appropriate for the FC to perform.
- Perform such other duties and responsibilities as the FC deems appropriate to carry out its purpose as provided in this Charter.
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Rules

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| Charter Review: | Will be reviewed/revised, at a minimum, every three years. Changes will be submitted to the BOD of Directors for approval. |
| Authority to Act: | In compliance with the Charter and as directed by Executive Leadership and the BOD |
| Meeting Schedule: | At least nine meetings per year |
| Voting Members: | <p>The FC shall have at least seven and no more than nine voting members.</p> <ul style="list-style-type: none">• 2 BOD members, one being the Treasurer• 4-6 SVHCD Citizens• At least one (1) member of the Medical Staff of Sonoma Valley Hospital (SVH) |
| Quorum Requirement: | Half plus one member present |
| Chair: | BOD Treasurer and other BOD member the Vice Chair |
| Composition: | Voting FC Members, Presenters, SVH Chief Executive Officer, and SVH Chief Financial Officer |

FC Membership

The FC's membership is subject to the Approval of the BOD. The BOD shall recruit members to the FC that are representative of the diverse constituencies of SVHCD.

Public Participation

All FC meetings shall be announced and conducted pursuant to the Brown Act. The general public, patients, and their families and friends, Medical and SVH Staff are always welcome to attend and provide input. Other BOD members may attend but only as "observers" as defined in the Brown Act.