Report of Independent Auditors and
Financial Statements with
Supplementary Information

Sonoma Valley Health Care District

June 30, 2024 and 2023

MOSSADAMS

Table of Contents

Management’s Discussion and Analysis

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, 2024 and 2023. 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 before restricted funds decreased by approximately $2,790,000 in 2024 and $1,870,000 in 2023. After consideration of capital contributions, the District's net position increased in 2024 by approximately $2,730,000 or 8%, and increased in 2023 by approximately $1,068,000 or 3%. After consideration of depreciation, the District generated a positive EBDA (Earnings Before Depreciation and Amortization) excluding restricted funds of approximately $2,480,000 in 2024 compared to approximately $2,680,000 in 2023.

- Cash and cash equivalents decreased in 2024 by approximately $2,574,000 or 41% and decreased in 2023 by approximately $3,016,000 or 32%. The decrease in 2024 was primarily due to the loss of the hospital's busiest surgeon during the year, repayments of two zero-interest bridge loans from CHFFA totaling over $700,000, as well as incremental cash outlay to complete the hospital's new electronic medical record (EMR). 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 EMR. The District also made a separate paydown on its existing line of credit in the amount of $500,000 during 2023.

- Net patient accounts receivable decreased in 2024 by approximately $337,000 or 4% and increased in 2023 by approximately $2,547,000 or 48%. The decrease in 2024 is attributable to increased volumes offset by increased write offs compared to the prior year. The increase in 2023 is attributable primarily to the District's conversion to a new Electronic Medical Record system.

- Operating revenues increased by $1,629,000 or 3% in 2024 compared to 2023. The increase in 2024 is due to a $1,340,000 increase in IGT revenue compared to the prior year, as well as continued growth in key outpatient areas such as emergency medicine and outpatient physical therapy.

- Operating expenses increased by approximately $2,640,000, or 4%, from 2023 to 2024. The increase in operating expenses primarily relates to an increase in Intergovernmental Transfer (IGT) matching fees of approximately $826,000, or 36%, as well as increases in both salary and wages and professional fee expenses due to the filling of open positions and annual merit increases.

Operational Changes and Future Plans

Fiscal year 2024 was a year of transition for the hospital and one that was marked by both challenges and opportunities. As the hospital continues to regain and surpass pre-pandemic volume levels, there was notable growth in some key service areas while other key business lines experienced declines. The unexpected loss of our busiest orthopedic surgeon presented significant financial challenges throughout the year, leading to reduced surgical volumes and contributing to an overall decline in the hospital's financial and cash position compared to the prior year. Despite these setbacks, the hospital also experienced positive developments during fiscal year 2024, including growth in key areas that are essential to its long-term success.

Although the direct effects of the COVID-19 pandemic have lessened compared to prior years, the hospital continues to deal with lingering financial implications resulting from the epidemic, with elevated per unit operational costs still putting pressure on the hospital's resources. 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.

Part of the operational disruption in 2024 was related to the loss of an orthopedist, who was the hospital's most active surgeon. This orthopedist also staffed the orthopedics clinic, which is managed by Marin Health and operated out of the hospital. This loss drove a reduction in surgical and ancillary revenue as the hospital experienced a sharp drop in orthopedic surgeries and imaging volumes related to those cases. Therapy remained busy despite the loss of referral source. The District was successful in the recruitment of a local orthopedist which will backfill the recent departure. The orthopedics clinic restarted in June 2024 and the new orthopedic recruit started performing surgeries at the hospital in August 2024.

Work continues on the hospital's expansive Outpatient Diagnostic Center (ODC) project which seeks to revamp outpatient ancillary services at the hospital. While the 1st phase of the CT project was completed and operationalized during fiscal year 2023, construction work continues on the 2nd phase of the CT project, which 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 fiscal year 2025. Work also continues on the MRI project, which is the 2nd phase of the Outpatient Diagnostic Center project. The scope for fiscal year 2025 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. The hospital was successful in operationalizing a temporary MRI structure that allows the hospital to gain occupancy of the new 3-Tesla MRI prior to the completion of the permanent module. While initially planned to receive occupancy by the end of calendar year 2023, numerous external factors pushed that timeline to the summer. The hospital officially gained occupancy of the temporary structure in August 2024.

Earlier in fiscal year 2024 the District's Board of Directors approved hospital management to enter into a formal agreement to receive $3.1 million in funding as part of the Distressed Hospital Loan Program (DHLP). This funding was used to paydown existing liabilities that were tied to variable interest rates. Although the loan was approved in December of 2023, funding was not fully complete until July 2024. This funding will help alleviate the pressures of volatile interest rates and will deliver significant cost savings starting in fiscal year 2025.

The hospital was again recognized by the Lown Institute for the facility's high performance across all spectrums of their survey. The Lown Institute is a non-profit think tank focused on transforming the American healthcare system to make it more equitable, affordable, and effective. The institute is known for its Lown Institute Hospitals Index, which ranks hospitals across the United States based on metrics such as social responsibility, patient outcomes, value of care, and equity, aiming to promote accountability and improvements in healthcare institutions. In 2023 the hospital was ranked in the top 25 of all hospitals surveyed across the country. This past year in 2024 the hospital was recognized as the 10th best hospital in the country based upon their metrics, and the 2nd best hospital in California.

Despite the challenges faced this past year, the hospital demonstrated resilience through various strategic initiatives that helped mitigate the impact of the various disruptions. Positive movement was observed in key service lines, and management remains focused on leveraging these growth areas in fiscal year 2025. The recruitment of an additional orthopedic surgeon, operationalizing the 3T MRI Magnet, and completing construction on the expansion of the hospital's outpatient physical therapy area will enhance operational performance in the years ahead. Furthermore, efforts to increase Intergovernmental Transfer (IGT) funding as well as the renegotiation of specific payor reimbursement contracts have been successful, providing additional financial support to sustain operations and planned improvements. These mitigating actions, along with upcoming investments in technology, facility upgrades, and community outreach, have positioned the hospital for enhanced operational performance in the years ahead. While the challenges of the past year were considerable, the hospital remains focused on its mission to provide high-quality patient care and improve overall financial stability.

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 nonfinancial 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 $2,730,000, or 8% in 2024 from 2023, and increased by approximately $1,068,000, or 3% in 2023 from 2022, as shown in Table 2.

Table 1: Statements of Net Position

	2024	2023	2022
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 3,748,581	$ 6,322,741	$ 9,338,887
Patient accounts receivable, net of allowance for doubtful accounts of $4,353,661, $1,806,659, and $1,426,077 in 2024, 2023, and 2022, respectively	7,505,623	7,842,950	5,295,597
Estimated third-party payor settlements	-	61,347	168,520
Property tax receivable	303,260	179,983	192,599
Other receivables	1,520,491	1,663,396	1,533,590
Inventories	913,408	978,625	1,037,597
Prepaid expenses and other current assets	637,493	1,160,940	828,300
Total current assets	14,628,856	18,209,982	18,395,090
Capital assets, net			
Nondepreciable	6,394,562	8,567,864	12,363,023
Depreciable, net of accumulated depreciation and amortization	49,855,214	43,402,253	39,758,374
Total capital assets, net	56,249,776	51,970,117	52,121,397
Operating right-of-use assets, net	1,498,904	1,033,640	1,429,057
Subscription assets, net	4,744,851	4,827,627	-
Investment restricted for debt service	5,957,336	5,774,189	5,754,812
Total noncurrent assets	68,450,867	63,605,573	59,305,266
Total assets	$ 83,079,723	$ 81,815,555	$ 77,700,356
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	$ 7,859,449	$ 7,249,685	$ 6,511,304
Accrued payroll and related liabilities	2,703,820	2,406,779	2,560,559
Estimated third-party payor settlements	144,884	-	-
Line of credit	4,973,734	4,973,734	5,473,734
Bonds payable, current portion	2,406,000	2,277,000	2,159,000
Notes payable, current portion	1,142,589	992,688	45,648
Other current liabilities	-	85,976	174,908
Operating lease obligations, current portion	286,518	372,131	393,336
Subscription liability, current portion	1,030,797	1,536,345	-
Total current liabilities	20,547,791	19,894,338	17,318,489
LONG-TERM LIABILITIES			
Accrued workers' compensation liability	945,000	1,079,260	945,000
Bonds payable, net of current portion	18,047,000	20,453,000	22,730,000
Other liabilities	-	-	71,314
Notes payable, net of current portion	1,224,003	2,366,484	608,487
Operating lease obligations, net of current position	1,213,244	692,446	1,046,818
Subscription liability, net of current portion	2,325,128	1,282,029	-
Total long-term liabilities	23,754,375	25,873,219	25,401,619
Total liabilities	44,302,166	45,767,557	42,720,108
NET POSITION			
Net investment in capital assets	28,456,450	20,821,235	20,858,306
Restricted for debt service	5,957,336	5,774,189	5,754,812
Unrestricted	4,363,771	9,452,574	8,367,130
Total net position	38,777,557	36,047,998	34,980,248
Total liabilities and net position	$ 83,079,723	$ 81,815,555	$ 77,700,356

Receivables

As discussed previously, net patient accounts receivable decreased in 2024 by approximately $337,000 or 4%, which is attributable primarily to increased volumes offset by increased write offs compared to the prior year. In 2024, estimated third party cost report settlement receivables decreased by approximately $61,000 or 100% compared to 2023. Property tax receivable increased by approximately $123,000 or 68% from 2023. Other receivables decreased by approximately $143,000 or 9% from 2023. The majority of the balance sitting in other receivables relates to the hospital's insurance claim resulting from a cyberattack the hospital experienced in November of 2020.

Capital Assets

At the end of 2024 and 2023, the District had approximately $56,250,000 and $51,970,000, respectively, invested in capital assets, net of accumulated depreciation, as detailed in Note 8 to the financial statements.

Debt

At June 30, 2024 and 2023, the District had approximately $22,820,000 and $26,089,000, respectively, in bonds, equipment notes payable and notes payable outstanding as detailed in Note 12 to the financial statements.

The District had a line of credit agreement with a bank for an amount not to exceed $5,500,000 with an interest of 8.25% plus Term SOFR and maturity date of January 31, 2024. This letter of credit was due in full in April 30, 2024, and subsequently amended to mature November 28, 2024. The outstanding balance was $4,973,734 at both June 30, 2024 and 2023.

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

In 2024 the District's operating loss increased by $1,013,000 or 12% from 2023. In 2023 the operating loss increased by $578,000 or 7% from 2022, as shown in Table 2 below:

	2024	2023	2022
OPERATING REVENUES			
Net patient service revenue	$ 55,773,479	$ 54,185,879	$ 49,882,545
Capitation revenue	244,147	202,502	218,140
	56,017,626	54,388,381	50,100,685
OPERATING EXPENSES			
Salaries and wages	25,142,587	24,777,605	23,150,818
Employee benefits	6,153,443	5,859,077	5,488,972
Purchased services	4,750,529	5,222,623	5,464,343
Professional fees, medical	7,487,831	6,938,546	6,426,196
Professional fees, non medical	2,059,989	1,960,260	2,042,947
Supplies	7,693,639	7,882,605	7,569,438
Facilities and equipment	407,419	358,744	398,062
Utilities	1,945,774	1,813,069	1,589,238
Insurance	819,515	658,491	614,358
Depreciation and amortization	5,267,168	4,550,776	3,006,014
Other expenses	3,901,723	2,965,788	2,371,883
Total operating expenses	65,629,617	62,987,584	58,122,269
Loss from operations	(9,611,991)	(8,599,203)	(8,021,584)
Nonoperating income (expenses)			
General obligation bond tax assessment revenues	2,928,571	2,628,829	2,521,572
Parcel tax assessment revenues	3,702,140	3,776,123	3,784,676
General obligation bond interest	(521,562)	(578,627)	(838,430)
Interest expense	(710,443)	(519,385)	(275,108)
Gain on sale of assets	45,915	-	-
Provider relief funds	-	-	1,377,724
Contributions from Prima Medical Foundation	-	-	121,360
Investment income	305,860	171,954	19,312
Other income, net	1,073,399	1,250,587	1,011,410
Total nonoperating income (expenses), net	6,823,880	6,729,481	7,722,516
Capital contributions	5,517,670	2,937,472	884,739
Changes in net position	2,729,559	1,067,750	585,671
Net position, beginning of year	36,047,998	34,980,248	34,394,577
Net position, end of year	$ 38,777,557	$ 36,047,998	$ 34,980,248

*The District's net patient service 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 - distribution of net patient revenue:

	2024	2023	2022
Medicare	23.6%	23.4%	24.8%
Medicare HMO	10.0%	10.7%	10.9%
Medi-Cal	1.4%	1.4%	1.0%
Medi-Cal Managed Care	19.5%	20.2%	17.5%
Commercial Insurance	36.6%	34.5%	34.5%
Workers Compensation	2.1%	3.1%	3.3%
Capitated	1.0%	0.8%	0.1%
Self-pay/Other	2.3%	2.1%	3.4%
Other Government	3.5%	3.8%	4.5%
	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 Revenues

Total operating revenues increased by $1,629,000 or 3% in 2024 compared to 2023. Total operating revenues increased by $4,288,000 or 9% in 2023. The increase in 2024 is due to continued growth in key outpatient areas such as emergency room and outpatient physical therapy. The hospital also experienced an increase in Intergovernmental Transfer (IGT) revenue compared to the prior year.

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.

Operating Expenses

Salaries and wages and benefits increased in 2024 by $659,000 or 2% compared to 2023 and increased in 2023 by $1,997,000 or 7% compared to 2022. Salaries, wages, and benefits increased during 2023 in clinical departments related to a continued increase in patient volumes, particularly in outpatient departments, including outpatient physical therapy, and emergency services.

Purchased services decreased in 2024 by $472,000 or 9% compared to 2023 and decreased in 2023 by $242,000 or 4% compared to 2022. The decrease in 2024 is due to a reduction in various third-party expenses related to IT as well as a reduction in EMR training costs that were incurred during 2023. 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 2024 by $549,000 or 8% from 2023 due to renegotiation of various physician service agreements during the year. 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.

Non-medical professional fees increased in 2024 by $100,000, or 5% from 2023 due to the filling of some key senior management positions that had been vacant for portions of the prior year. 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.

Supplies decreased in 2024 by $189,000 or 2% from 2023, due to a reduction in surgical implant costs associated with the departure of the hospital's key orthopedic surgeon in March of 2024. 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.

Facilities and equipment increased in 2024 by $49,000 or 14% from 2023 due to an increase in general facilities repair and maintenance expenses throughout the hospital. Facilities and equipment decreased in 2023 by $39,000 or 10% from 2022 due to the reduction in the right-of-use lease assets liability.

Depreciation and amortization increased in 2024 by $716,000 or 16% from 2023 and increased in 2023 by $1,545,000 or 51% from 2022 due to operationalizing large components of the Outpatient Diagnostic Center in both fiscal years, as well as the implementation of a new audit standard, Governmental Accounting Standards Board (GASB) No. 96, *Subscription-Based Information Technology Arrangements*.

Other expenses increased in 2024 by $1,229,000 or 23% compared to 2023 and increased in 2023 by $862,000 or 19% compared to 2022. The primary driver of this increase in both fiscal years is due to an increase in the IGT matching fee that was paid during the year.

Nonoperating Revenues and Expenses

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

General obligation bond tax assessment revenues increased in 2024 by $300,000 or 11% compared to 2023. General obligation bond tax assessment revenues increased in 2023 by $107,000 or 4% compared to 2022. Parcel taxes decreased in 2024 by $74,000 or 2% compared to 2023. Parcel taxes decreased in 2023 by $9,000 compared to 2022. In 2024, general obligation bond and other interest expense increased by $134,000 or 12% primarily due to a full year of interest payments on a CHFFA Help II Loan that was executed during the 4th quarter of 2023. In 2023, interest expense increased by $16,000 or 1% 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.

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 $5,518,000 in 2024, and $2,937,000 in 2023; an increase of $2,580,000 in 2024 compared to 2023. Capital grants and gifts increased by $2,052,000 in 2023 over 2022.

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.

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Report of Independent Auditors

The Board of Directors
Sonoma Valley Healthcare District

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sonoma Valley Healthcare District (the District), which comprise the statement of net position as of June 30, 2024, and the related statement of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Sonoma Valley Healthcare District as of June 30, 2024, and the respective changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), and the California Code of Regulations, Title 2, Section 1131.2, State Controller's *Minimum Audit Requirements* for California Special Districts. 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 the District and to meet our other ethical responsibilities, in accordance with the 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 audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern within one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the California Code of Regulations, Title 2, Section 1131.2, State Controller's *Minimum Audit Requirements* for California Special Districts will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and the California Code of Regulations, Title 2, Section 1131.2, State Controller's *Minimum Audit Requirements* for California Special Districts, 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 the 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 the 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.

Other Matters

Prior Period Financial Statements

The financial statements of Sonoma Valley Health Care District as of and for the year ended June 30, 2023, were audited by other auditors whose report thereon dated March 21, 2024, expressed an unmodified opinion on those financial statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 1 through 10 be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The accompanying supplemental schedule of community support on page 42 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.

Moss Adams LLP

San Francisco, California
November 12, 2024

Financial Statements

Sonoma Valley Health Care District
Statements of Net Position
June 30, 2024 and 2023

	2024	2023
ASSETS		
Current assets		
Cash and cash equivalents	$ 3,748,581	$ 6,322,741
Patient accounts receivable, net of allowance for uncollectible accounts of $4,353,661 and $1,806,659 in 2024 and 2023, respectively	7,505,623	7,842,950
Estimated third-party payor settlements	-	61,347
Property tax receivable	303,260	179,983
Other receivables	1,520,491	1,663,396
Inventories	913,408	978,625
Prepaid expenses and other current assets	637,493	1,160,940
Total current assets	14,628,856	18,209,982
Capital assets, net		
Nondepreciable	6,394,562	8,567,864
Depreciable, net of accumulated depreciation and amortization	49,855,214	43,402,253
Total capital assets, net	56,249,776	51,970,117
Operating right-of-use assets, net	1,498,904	1,033,640
Subscription assets, net	4,744,851	4,827,627
Investment restricted for debt service	5,957,336	5,774,189
Total noncurrent assets	68,450,867	63,605,573
Total assets	$ 83,079,723	$ 81,815,555

See accompanying notes.

Sonoma Valley Health Care District
Statements of Net Position (Continued)
June 30, 2024 and 2023

	2024	2023
LIABILITIES AND NET POSITION		
Current liabilities		
Accounts payable and accrued expenses	$ 7,859,449	$ 7,249,685
Accrued payroll and related liabilities	2,703,820	2,406,779
Estimated third-party payor settlements liability	144,884	-
Line of credit	4,973,734	4,973,734
Bonds payable, current portion	2,406,000	2,277,000
Notes payable, current portion	1,142,589	992,688
Other current liabilities	-	85,976
Operating lease obligations, current portion	286,518	372,131
Subscription liability, current portion	1,030,797	1,536,345
Total current liabilities	20,547,791	19,894,338
Long-term liabilities		
Accrued workers' compensation liability	945,000	1,079,260
Bonds payable, net of current portion	18,047,000	20,453,000
Notes payable, net of current portion	1,224,003	2,366,484
Operating lease obligations, net of current position	1,213,244	692,446
Subscription liability, net of current position	2,325,128	1,282,029
Total long-term liabilities	23,754,375	25,873,219
Total liabilities	44,302,166	45,767,557
Net position		
Net investment in capital assets	28,456,450	20,821,235
Investment restricted for debt service	5,957,336	5,774,189
Unrestricted	4,363,771	9,452,574
Total net position	38,777,557	36,047,998
Total liabilities and net position	$ 83,079,723	$ 81,815,555

See accompanying notes.

Sonoma Valley Health Care District
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2024 and 2023

	2024	2023
OPERATING REVENUES		
Net patient service revenue	$ 55,773,479	$ 54,185,879
Capitation revenue	244,147	202,502
Total operating revenues	56,017,626	54,388,381
OPERATING EXPENSES		
Salaries and wages	25,142,587	24,777,605
Employee benefits	6,153,443	5,859,077
Purchased services	4,750,529	5,222,623
Professional fees, medical	7,487,831	6,938,546
Professional fees, non medical	2,059,989	1,960,260
Supplies	7,693,639	7,882,605
Facilities and equipment	407,419	358,744
Utilities	1,945,774	1,813,069
Insurance	819,515	658,491
Depreciation and amortization	5,267,168	4,550,776
Other expenses	3,901,723	2,965,788
Total operating expenses	65,629,617	62,987,584
Loss from operations	(9,611,991)	(8,599,203)
NONOPERATING INCOME (EXPENSES)		
General obligation bond tax assessment revenues	2,928,571	2,628,829
Parcel tax assessment revenues	3,702,140	3,776,123
General obligation bond interest	(521,562)	(578,627)
Interest expense	(710,443)	(519,385)
Gain on sale of assets	45,915	-
Investment income	305,860	171,954
Other income, net	1,073,399	1,250,587
Total nonoperating income, net	6,823,880	6,729,481
Capital contributions	5,517,670	2,937,472
Change in net position	2,729,559	1,067,750
NET POSITION, beginning of year	36,047,998	34,980,248
NET POSITION, end of year	$ 38,777,557	$ 36,047,998

See accompanying notes.

Sonoma Valley Health Care District
Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from patients and third parties	$ 56,704,089	$ 51,954,197
Cash payments to contractors, vendors, and suppliers	(28,713,512)	(27,342,107)
Cash payments to employees and benefit programs	(31,133,249)	(30,656,202)
Net cash used in operating activities	(3,142,672)	(6,044,112)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Noncapital grants, contributions, and other	1,073,399	1,114,785
District tax revenues	3,739,667	3,788,739
Net cash provided by noncapital financing activities	4,813,066	4,903,524
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(6,571,603)	(2,791,349)
Proceeds from sale of capital assets	53,700	-
Principal payments on notes payable	(992,580)	(45,623)
Principal payments on lease obligations	(377,544)	(571,529)
Principal payments on subscription obligations	(1,255,672)	(3,186,276)
Principal payments on bonds payable	(2,277,000)	(2,159,000)
Interest paid on long-term debt	(1,232,005)	(1,091,318)
Proceeds on notes payable	-	2,750,660
Paydown of line of credit	-	(500,000)
Tax revenue related to general obligation bonds	2,767,767	2,628,829
Capital grants and gifts	5,517,670	2,937,472
Net cash used in capital financing activities	(4,367,267)	(2,028,134)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(2,767,767)	(19,377)
Sale of investments	2,820,826	-
Investment income	69,654	171,953
Net cash provided by investing activities	122,713	152,576
Net decrease in cash and cash equivalents	(2,574,160)	(3,016,146)
CASH AND CASH EQUIVALENTS, beginning of year	6,322,741	9,338,887
CASH AND CASH EQUIVALENTS, end of year	$ 3,748,581	$ 6,322,741

See accompanying notes.

Sonoma Valley Health Care District
Statements of Cash Flows (Continued)
Years Ended June 30, 2024 and 2023

	2024	2023
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH USED IN OPERATING ACTIVITIES		
Loss from operations	$ (9,611,991)	$ (8,599,203)
Adjustments to reconcile loss from operations to net cash used in operating activities		
Depreciation and amortization	5,267,168	4,550,776
Provision for doubtful accounts	2,547,002	1,850,000
Changes in operating assets and liabilities		
Patient accounts receivable, net	(2,209,675)	(4,391,357)
Inventories	65,217	58,972
Prepaid expenses and deposits	523,447	(332,640)
Estimated third-party payor settlements	206,231	107,173
Accounts payable and accrued expenses	(149,781)	731,687
Other operating assets and liabilities	219,710	(19,520)
Net cash used in operating activities	$ (3,142,672)	$ (6,044,112)

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

	2024	2023
Noncash acquisition of fixed assets	$ 759,545	$ -
Noncash acquisition of right-of-use lease assets	$ 812,729	$ 34,385
Noncash acquisition of lease obligation liabilities	$ (812,729)	$ (18,216)
Noncash acquisition of subscription assets	$ 1,793,223	$ 6,040,356
Noncash acquisition of subscription liabilities	$ (1,793,223)	$ (3,023,565)

See accompanying notes.

Note 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. 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 16 for further discussion.

Note 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 76), which is effective for financial statements for periods beginning after June 15, 2015. The objective of GASB 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.

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.

Investment restricted for debt service - consists of net position with limits on their use that are externally imposed by creditors (such as through debt covenants).

Unrestricted net position - consists of the remaining net position that does not meet the definition of invested in capital assets, and investment restricted for debt service.

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.

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 34% and 34% of net patient accounts receivable at June 30, 2024 and 2023, 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, 2024 and 2023, the District recorded an allowance for uncollectible accounts receivable for amounts due directly from patients totaling $4,353,661 and $1,806,659, respectively.

Investment restricted for debt service

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.

Fair value measurements

GASB Statement No. 72, Fair Value Measurement and Application (GASB 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 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.

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.

Inventories

Inventories consist primarily of hospital operating supplies and pharmaceuticals and are stated at lower of cost or market basis, determined by the first-in, first-out method (FIFO).

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 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. 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, 2024 and 2023 , the District has determined that no capital assets are significantly impaired.

Right-of-use assets

The District has recorded right-of-use lease assets as a result of implementing GASB No. 87. The right-of-use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right-of-use assets are amortized on a straight-line basis over the life of the related lease.

Subscription assets

The District has recorded subscription assets as a result of implementing GASB No. 96, *Subscription-Based Information Technology Arrangements* (SBITA). The subscription assets are initially measured at an amount equal to the initial measurement of the related subscription liability plus any contract payments made to the SBITA vendor at the commencement of the subscription term, capitalizable initial implementation cost, less any incentive payments received from the SBITA vendor at the commencement of the subscription term. The subscription assets are amortized on a straight-line basis over the shorter of the subscription term or the useful life of the underlying 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 change 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.

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

	2024	2023
Medicare	23.6%	23.4%
Medicare HMO	10.0%	10.7%
Medi-Cal	1.4%	1.4%
Medi-Cal Managed Care	19.5%	20.2%
Commercial Insurance	36.6%	34.5%
Workers Compensation	2.1%	3.1%
Capitated	1.0%	0.8%
Self-pay/Other	2.3%	2.1%
Other Government	3.5%	3.8%
	100.0%	100.0%

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 Hospital, 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 Hospital receives monthly capitation payments based on the number of each HMO's participants, regardless of the services actually performed by the Hospital. The Hospital is not responsible for the cost of services provided to subscribing participants by other hospitals. The Hospital 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.

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:

	2024	2023
Designated for hospital operations	$ 3,702,140	$ 3,776,123
Levied for hospital operations and debt service payments	2,928,571	2,628,829
	$ 6,630,711	$ 6,404,952

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.

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. The following is a summary of changes in compensated absences transactions for the years ended June 30, included in accrued payroll and related liabilities in statements of net position:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
2024	$ 1,666,017	$ 2,802,586	$ 2,675,786	$ 1,792,817	$ 1,792,817

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
2023	$ 1,614,350	$ 2,477,299	$ 2,425,632	$ 1,666,017	$ 1,666,017

Income taxes

The District operates under the purview of the Internal Revenue Code (IRC), 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.

New accounting pronouncements

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*. This Statement enhances accounting and financial reporting requirements for accounting changes and error corrections. It defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity. This statement requires that (1) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (2) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (3) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The District adopted this standard in the current fiscal year. The adoption did not result in a material impact to the District's financial statements.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. The Statement updates the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used, and (2) leave that has been used but not yet paid, provided the services have occurred, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or noncash means. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. The statement amends the existing requirements to disclose only the net change in the liability instead of the gross additions and deductions to the liability. This statement is effective for the fiscal year ending June 30, 2025. The District is currently evaluating the impact of the adoption of this standard on its financial statements.

Reclassifications

Certain reclassifications of prior years' balances and disclosures have been made to conform with the current year presentations. Such reclassifications did not affect the total increase in net position or total current or long-term assets or liabilities.

Subsequent events

Subsequent events are events or transactions that occur after the statements of net position date but before financial statements are available to be issued. The District recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statements of net position, including the estimates inherent in the process of preparing the financial statements. The District's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statements of net position but arose after the statements of net position date and before financial statements are available to be issued.

On August 31, 2024, the District entered into an amendment with U.S. Bank National Association, to extend the maturity date of Line of Credit to November 28, 2024. See Note 11.

In October of 2024, the District executed a new term loan with a principal amount of $1.9 million with a maturity date of November 2029, to refinance the existing line of credit previously held with US bank. See Note 11.

In November of 2024, the District executed a new revolving line of credit with a maximum draw of $5.5 million with a maturity date of November 2031.

The District has evaluated subsequent events through November 12, 2024, which is the date the financial statements were issued.

Note 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 fifth 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.

Note 4 – Cash Deposits

At June 30, 2024 and 2023, the District's cash deposits had carrying amounts of $3,748,581 and $6,322,741, respectively, and bank balances of $3,929,957 and $7,582,909, respectively.

All of these funds were held in cash deposits, which are collateralized with the California Government Code (CGC), except for $250,000 per account that is federally insured by the Federal Deposit Insurance Corporation (FDIC). Under the provision of the CGC, California banks and savings and loan associations are required to secure the District’s deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of the District’s deposits. California law also allows financial institutions to secure the District’s deposits by pledging first trust deed mortgage having a value of 150% of the District’s deposits. The pledged securities are held by the pledging financial institution’s trust department in the name of the District.

Note 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, 2024, 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, 2024, 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.

Net patient service revenues consisted of the following:

	2024	2023
Services provided to Medicare patients	$ 181,406,838	$ 172,702,928
Services provided to Medi-Cal patients	54,526,061	60,968,241
Services provided to other patients	95,942,535	90,292,533
Gross patient service revenues	331,875,434	323,963,702
Contractual allowances and allowance for doubtful accounts	(276,101,955)	(269,777,823)
Total net patient service revenue	$ 55,773,479	$ 54,185,879

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. The District recognized gross revenues of $8,243,787 and IGT expense of $3,097,493 for the year ended June 30, 2024. 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. 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.

Note 6 – Investments Restricted for Debt Service

District investment balances and average maturities were as follows at June 30, 2024:

	Fair Value	Less than 1 year	1 to 5 years
Money market mutual fund	$ 5,957,336	$ 5,957,336	$ -

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

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

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, 2024 and 2023, 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, 2024 and 2023, the District had a single money market mutual fund investment.

Note 7 – 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, 2024:

	Level 1	Level 2	Level 3	Fair Value
Money market mutual fund	$ 5,957,336	$ -	$ -	$ 5,957,336

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 fund	$ 5,774,189	$ -	$ -	$ 5,774,189

Note 8 – Capital Assets

Capital assets activity as of June 30, 2024, consisted of the following:

	Balance, June 30, 2023	Purchases and Transfers	Sales, Transfers, and Retirements	Balance, June 30, 2024
Non-depreciable capital assets				
Land	$ 646,687	$ -	$ -	$ 646,687
Construction in progress	7,921,177	6,351,113	(8,524,415)	5,747,875
Total non-depreciable capital assets	8,567,864	6,351,113	(8,524,415)	6,394,562
Depreciable capital assets				
Land improvements	794,811	-	-	794,811
Building and improvements	68,994,876	141,893	4,492,039	73,628,808
Equipment	33,770,784	785,163	1,627,184	36,183,131
	103,560,471	927,056	6,119,223	110,606,750
Less accumulated depreciation	(60,158,218)	(3,044,425)	2,451,107	(60,751,536)
Total depreciable capital assets	43,402,253	(2,117,369)	8,570,330	49,855,214
Total capital assets, net	$ 51,970,117	$ 4,233,744	$ 45,915	$ 56,249,776

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
Building 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

Note 9 – Leases

The District is a lessee for noncancellable lease of office space and equipment with lease terms through 2027. There are no residual value guarantees included in the measurement of District's lease liability nor recognized as an expense for the years ended June 30, 2024 and 2023. The District does not have any commitments that were incurred at the commencement of the leases. The District is subject to variable equipment usage payments that are expensed when incurred. There were no amounts recognized as variable lease payments as lease expense on the statements of changes of net position for the years ended June 30, 2024 and 2023. No termination penalties were incurred during the fiscal year.

The District has the following operating right-of-use lease assets activities as of June 30:

2024	Beginning Balance	Additions	Ending Balance
Building	$ 1,194,167	$ 783,768	$ 1,977,935
Equipment	351,769	28,961	380,730
	1,545,936	812,729	2,358,665
Less accumulated amortization	(512,296)	(347,465)	(859,761)
	$ 1,033,640	$ 465,264	$ 1,498,904

2023	Beginning Balance	Additions	Ending Balance
Building	$ 1,194,167	$ -	$ 1,194,167
Equipment	317,384	34,385	351,769
	1,511,551	34,385	1,545,936
Less accumulated amortization	(82,494)	(429,802)	(512,296)
	$ 1,429,057	$ (395,417)	$ 1,033,640

The District has the following operating lease obligations activities as of June 30:

2024	Beginning Balance	Additions	Payments	Ending Balance
Buildings	$ 858,475	$ 783,768	$ (263,952)	$ 1,378,291
Equipment	206,102	28,961	(113,592)	121,471
	$ 1,064,577	$ 812,729	$ (377,544)	$ 1,499,762

2023	Beginning Balance	Additions	Payments	Ending Balance
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

For the years ended June 30, 2024 and 2023, the District recognized $347,465 and $429,802, respectively, in amortization expense included in depreciation and amortization expense on the statements of activities and changes in net position.

The future principal and interest lease payments as of June 30, 2024, were as follows:

Year Ending June 30,	Principal Payments	Interest Payments	Total
2025	$ 286,518	$ 80,316	$ 366,834
2026	213,122	60,964	274,086
2027	204,737	56,843	261,580
2028	191,634	58,799	250,433
2029	188,429	49,496	237,925
Thereafter	415,322	68,259	483,581
	$ 1,499,762	$ 374,677	$ 1,874,439

The District evaluated the right-of-use assets for impairment and determined there was no impairment for the years ended June 30, 2024 and 2023.

Note 10 – Subscriptions

The District has the following subscription assets activities as of June 30:

2024	Beginning Balance	Additions	Ending Balance
Subscription assets	$ 6,040,356	$ 1,793,223	$ 7,833,579
Less accumulated amortization	(1,212,729)	(1,875,999)	(3,088,728)
	$ 4,827,627	$ (82,776)	$ 4,744,851

2023	Beginning Balance	Additions	Ending Balance
Subscription assets	$ -	$ 6,040,356	$ 6,040,356
Less accumulated amortization	-	(1,212,729)	(1,212,729)
	$ -	$ 4,827,627	$ 4,827,627

The District has the following subscription liability activities as of June 30:

2024	Beginning Balance	Additions	Payments	Ending Balance
Subscription liabilities	$ 2,818,374	$ 1,793,223	$ (1,255,672)	$ 3,355,925

2023	Beginning Balance	Additions	Payments	Ending Balance
Subscription liabilities	$ -	$ 3,023,565	$ (205,191)	$ 2,818,374

For the years ended June 30, 2024 and 2023, the District recognized $1,875,999 and $1,212,729, respectively, in amortization expense included in depreciation and amortization expense on the statements of activities and changes in net position.

The future subscription payments as of June 30, 2024, were as follows:

Year Ending June 30,	Principal Payments	Interest Payments	Total
2025	$ 1,030,797	$ 67,575	$ 1,098,372
2026	884,635	79,996	964,631
2027	553,103	110,057	663,160
2028	576,609	82,446	659,055
2029	310,781	30,208	340,989
	$ 3,355,925	$ 370,282	$ 3,726,207

The District evaluated the subscription assets for impairment and determined there was no impairment for the years ended June 30, 2024 and 2023.

Note 11 – 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 8.25% plus Term SOFR, and a maturity date of January 31, 2024. The line of credit was renewed on January 23, 2024, and was due in full on April 30, 2024. On June 6, 2024, the District entered into an amendment with U.S. Bank National Association, to extend the maturity date to August 31, 2024. On August 31, 2024, the District entered into an amendment with U.S. Bank National Association, to extend the maturity date to November 28, 2024. The line of credit is collateralized with the District's cash, cash equivalents and receivables.

As of June 30, 2024 and 2023, the District is required to comply with certain restrictive covenants. Management believes all financial covenants were met for the years ended June 30, 2024 and 2023.

The District had unused credit remaining on the line of credit of $526,266 at June 30, 2024 and 2023, respectively.

The District entered into a new banking arrangement as of October 30, 2024. This arrangement refinanced the existing line of credit the District had previously held with U.S. Bank for the entire principal outstanding. On this date, the District entered into a term loan with Summit State Bank with a principal amount of $1,900,000 and an annual interest rate of 7.75%. The maturity date of the loan is November 16, 2029.

Note 12 – Long-Term Debt

The District's long-term debt transactions as of June 30, 2024, consisted of the following:

	Balance, June 30, 2023	Additions	Decreases/ Amortization	Balance, June 30, 2024
GO Bond principal	$ 22,730,000	$ -	$ (2,277,000)	$ 20,453,000
Notes payable	3,359,172	-	(992,580)	2,366,592
	$ 26,089,172	$ -	$ (3,269,580)	$ 22,819,592

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

General obligation bonds payable

In February 2014, the District issued $12,437,000 of additional general obligation bonds (2014 General Obligation Refunding Bonds), bearing interest at 3.78% and maturing on August 1, 2029. Interest on the 2014 General Obligation Refunding Bonds is payable semi-annually at a fixed rate of 3.78% with principal payments due annually beginning August 1, 2022 through August 1, 2029. The balance of the 2014 General Obligation Refunding Bonds is $7,493,000 and $8,320,000 as of June 30, 2024 and 2023, 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 $12,960,000 and $14,410,000 as of June 30, 2024 and 2023, respectively.

Notes payable

Notes payable are detailed as follows:

	2024	2023
California Health Facilities Financing Authority NDPH Bridge Loans, 3 loan agreements, 0% interest, due in fiscal year 2025. Secured by Medi-Cal payments.	$ 750,000	$ 1,359,147
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.	1,616,592	2,000,000
CEC Loan Phase 1	-	25
	2,366,592	3,359,172
Current portion	(1,142,589)	(992,688)
	$ 1,224,003	$ 2,366,484

Debt service requirements

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

	General Obligation Bonds		Notes Payable	
	Principal	Interest	Principal	Interest
Year Ending June 30,				
2025	$ 2,406,000	$ 257,609	$ 1,142,589	$ 28,737
2026	2,561,000	226,863	399,840	20,826
2027	2,728,000	193,583	407,911	12,755
2028	2,901,000	157,546	416,252	4,522
2029	3,091,000	118,637	-	-
2030 - 2033	6,766,000	123,433	-	-
	$ 20,453,000	$ 1,077,671	$ 2,366,592	$ 66,840

Interest costs

Interest costs incurred on all outstanding debt during the years ended June 30, 2024 and 2023 is summarized as follows:

	2024	2023
Interest cost		
Paid	$ 1,060,979	$ 903,145
Accrued	171,026	194,867
Total interest expense	$ 1,232,005	$ 1,098,012

Note 13 – Employee Benefit Plans

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 3.45% and 3.01% for 2024 and 2023, respectively.

Deferred compensation plans

The District offers its employees a deferred compensation plan (the DC Plan) created in accordance with IRC Section 457. The DC 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 $563,825 and $470,653 for 2024 and 2023, respectively.

Note 14 – 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, 2024 and 2023 , the District has determined that no accrual is required for such losses under the various medical malpractice policies in place.

Note 15 – 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, 2024. A liability is accrued for self-insured workers' compensation claims, including both claims reported, and claims incurred but not yet reported of $945,000 and $1,079,260 as of June 30, 2024 and 2023, 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 1.5% and 1.0%, respectively at June 30, 2024 and 2023. It is reasonably possible that the District's estimate could change by a material amount in the near term. The following is a summary of changes in workers' compensation liabilities for the years ended June 30:

	Beginning Balance	Increases	Decreases	Ending Balance
2024	$ 1,079,260	$ -	$ 134,260	$ 945,000

	Beginning Balance	Increases	Decreases	Ending Balance
2023	$ 945,000	$ 134,260	$ -	$ 1,079,260

Note 16 – 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 $5,517,670 and $2,937,472, respectively, for the years ended June 30, 2024 and 2023.

The Foundation is not considered a component unit of the District because the Foundation is not controlled by the District.

Note 17 – 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.

Note 18 – Charity Care

During the years ended June 30, 2024 and 2023, the District incurred estimated costs of $53,810 and $113,240, 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, 2024 and 2023, there were 71 and 77 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:

	2024	2023
Community benefits (charity care) allowances	$ 93,006	$ 113,240
State Medi-Cal and other public aid programs	54,526,061	60,919,568
Provision for uncollectible accounts	1,906,299	1,850,000
	$ 56,525,366	$ 62,882,808

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

	2024	2023
Uncompensated costs of community benefits and uncollectible accounts	$ 10,614	$ 20,703
Medi-Cal and other public aid programs	6,366,939	5,976,754
	$ 6,377,553	$ 5,997,457

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.

Community support

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

	2024	2023
Noncapital gifts and grants included in nonoperating income	$ -	$ 15,345
Capital grants and contributions from Sonoma Valley Hospital Foundation	5,517,670	2,922,127
	$ 5,517,670	$ 2,937,472

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