SVHCD FINANCE COMMITTEE MEETING

AGENDA

TUESDAY, OCTOBER 28, 2025

5:00 p.m. Regular Session

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

sonomavalleyhospital-org.zoom.us/j/94662918236

Meeting ID: 946 6291 8236
Passcode: 052184

One tap mobile
+16692192599,,94662918236#
+16699009128,,94662918236#

AGENDA ITEM

In compliance with the Americans with Disabilities Act, if you require special accommodations to attend a District meeting, please contact the Board Clerk, Whitney Reese, at wreese@sonomavalleyhospital.org or 707.935.5035 at least 48 hours prior to the meeting.

MISSION STATEMENT
The mission of the SVHCD is to maintain, improve, and restore the health of everyone in our community.

1. CALL TO ORDER/ANNOUNCEMENTS	*Case*	
2. PUBLIC COMMENT SECTION	*Case*	
At this time, members of the public may comment on any item not appearing on the agenda. It is recommended that you keep your comments to three minutes or less. Under State Law, matters presented under this item cannot be discussed or acted upon by the Board at this time. For items appearing on the agenda, the public will be invited to make comments at the time the item comes up for Board consideration.		
3. CONSENT CALENDAR • Finance Committee Minutes 08.26.25	*Case*	Action *Pages 2 - 3*
4. FY25 AUDIT REPORT PRESENTATION	*Baker Tilly*	Action *Pages 4 - 82*
5. IT SYSTEMS REVIEW	*Lum*	Inform *Pages 83 - 88*
6. SUMMIT BANK LOAN AGREEMENT	*Armfield*	Action *Pages 89 - 96*
7. IGT UPDATE	*Armfield*	Inform *Page 97*
8. PARCEL TAX ADVANCE / FINANCING	*Armfield*	Inform
9. SEISMIC COMPLIANCE UPDATE	*Case/Armfield*	Inform
10. STRATEGIC PLAN UPDATE (Defer)	*Armfield*	Inform *Page 98*
11. BALANCE SHEET REVIEW	*Armfield/Fruzynski*	Inform *Pages 99 - 101*
12. FINANCIAL REPORTS FOR MONTH END SEPTEMBER 2025	*Armfield*	Inform *Pages 102 - 111*
13. ADJOURN	*Case*	

SVHCD FINANCE & AUDIT COMMITTEE MEETING

MINUTES

TUESDAY, AUGUST 29, 2025
In Person at Sonoma Valley Hospital
347 Andrieux Street
and Via Zoom Teleconference

Present	Not Present/Excused	Staff/Public
Dennis Bloch Paul Chakmak, in person Andrew Exner, in person Graham Smith, via zoom Catherine Donahue, via zoom Alexis Alexandridis, MD MBA FACS, in person	Ed Case Robert Crane	Ben Armfield, SVH Interim CEO & SVH CFO, in person Lois Fruzynski, SVH Accounting Manager, in person Whitney Reese, SVH Board Clerk, in person Dawn Kuwahara, RN BSN, SVH Chief Ancillary Officer, in person Wendy Lee Myatt, in person Lynn McKissock, SVH Chief HR Officer, via zoom Lisa Stone, SVH Revenue Cycle Manager, via zoom Katherine Djiauw, via zoom Chris Pritchard, via zoom

MISSION & VISION STATEMENT
The mission of SVHCD is to maintain, improve, and restore the health of everyone in our community.

AGENDA ITEM	DISCUSSION	ACTIONS
1. CALL TO ORDER/ANNOUNCEMENTS	*Dennis Bloch*	Meeting called to order 5:00pm
Bloch opened the meeting, as committee chair in Case's absence.		
2. PUBLIC COMMENT SECTION	None	
3. CONSENT CALENDAR	*Dennis Bloch*	Action
Finance Committee Minutes 7.27.25		**MOTION:** Motion to approve by Chakmak, 2nd by Smith. All in favor.
4. AUDIT PROGRESS REVIEW	*Katherine Djiauw & Chris Pritchard, Baker Tilly*	Inform
Audit Director Catherine Dijauw and Partner Chris Pritchard from Baker Tilly (formerly Moss Adams) provided an update on the District's FY2025 financial audit, noting that interim fieldwork was completed in June/July and final fieldwork is underway, with a focus on liquidity, revenue and reimbursement, and debt compliance. Zhao reported no material weaknesses, significant deficiencies, or audit adjustments identified to date and confirmed that the audit is on schedule for completion by mid-October, with draft financials to be shared about a week before the October Finance and Audit Committee meeting.		
5. RES 386: SETTING GO BOND RATE	*Ben Armfield*	Action **MOTION:** Motion to keep current tax rate ($18.50 per $100,000 of assessed value) by Chakmak, 2nd by Exner. All in favor.

Armfield reviewed the District's GO Bonds, originally issued at $35 million with approximately $18 million outstanding and $6 million held in reserve from property-tax collections. The Committee discussed the current tax rate of $18.50 per $100,000 of assessed value. As the current tax rate is unchanged from last year, staff will verify with the County and legal counsel whether a formal Board resolution is required annually or if Finance & Audit Committee action is sufficient.		
6. DEBT PROFILE REVIEW	*Ben Armfield*	Inform
Armfield reported that over the past two fiscal years, the hospital has intentionally restructured its debt portfolio, retiring legacy obligations and refinancing high-interest balances into more sustainable arrangements. The former $5 million Union/US Bank line of credit was resolved in 2024 through a combination of the CHFFA Distressed Hospital Program Loan and a new Summit State Bank term loan, reducing cash strain and strengthening banking stability. The hospital's active debt now includes a $5.5 million Summit State Bank line of credit, the Summit term loan, low- or no-interest CHFFA loans that support EMR implementation and legacy debt repayment, and general obligation bonds funded by property taxes. Overall leverage remains moderate and improving, with a 37% debt-to-capitalization ratio and a 1.42× Debt Service Coverage Ratio, and all financial covenants are being met.		
7. IGT UPDATE	*Ben Armfield*	Inform
The Committee discussed the hospital's strategy for funding its upcoming $10.5 million IGT payment, which would yield a $12 million net benefit. Armfield shared that SVH was tentatively approved for increasing the hospital's line of credit from $5.5 million to around $10.5-11 million. Committee members expressed alignment on maintaining a compliant, transparent, and well-documented process. The formation of an ad hoc IGT Review Committee was suggested to review last year's IGT agreement and consult with both hospital counsel and the District Hospital Leadership Forum to confirm all program parameters.		
8. FINANCIAL REPORTS FOR MONTH END JULY 2025	*Ben Armfield*	Inform
Armfield reported a strong start to the fiscal year, with July posting an operating EBITDA of about $500k, driven by record-high volumes across imaging and emergency services. Gross charges reached $33 million, the highest in hospital history. MRI, CT, and ultrasound volumes all hit new peaks, with referrals expanding beyond Sonoma. The committee discussed revised accounting treatment for IGT accruals and requested an analysis of blended margins to understand returns on additional volume. Construction is complete for the new PT space pending OSHPD approval, and the ICU is now fully operational.		
9. ADJOURN	*Dennis Bloch*	Inform
Meeting adjourned at 6:46pm		

Sonoma Valley Health Care District

2025 Audit Results

Discussion with Management and the Audit Committee

Agenda

1. Scope of Services
2. Significant Risks Identified
3. Matters Required to be Communicated with Those Charged with Governance
4. Statements of Net Position
5. Operations
6. Other Information
7. Your Service Team

Scope of Services

We have performed the following services for Sonoma Valley Health Care District:

Annual Audit

Annual financial statement audit for the year ending June 30, 2025

Non-Attest Services

- Assisted in drafting the financial statements and related footnotes as of and for the year ended June 30, 2025.

Significant Risks Identified

During the planning of the audit, we have identified the following significant risks:

Significant Risks	Procedures
Valuation of patient accounts receivable	- Tie out of reserving schedules - Zero Balance Accounts (ZBA) analysis - Lookback analysis and subsequent collections analysis
Patient revenue recognition	- Hospital patient revenue analysis and cut-off analysis - Journal entry testing focusing on revenue reversal
Management override of controls	- Inquiries of accounting and operational personnel - Perform risk assessment procedure - Test of design and operational effectiveness of financial reporting controls - Testing of risk-based manual journal entry selections
Debt covenant	- Recalculate debt covenant ratios

Matters Required to be Communicated with Those Charged with Governance

Our responsibility with regard to the financial statement audit under U.S. auditing standards:

We are responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management, with your oversight, are prepared, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

Matters Required to be Communicated with Those Charged with Governance

Our responsibility with regard to the financial statement audit under U.S. auditing standards:

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS), and the California Code of Regulations, Title 2 Section 1131.2, State Controller's *Minimum Audit Requirements* for California Special Districts. As part of an audit conducted in accordance with the standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

Matters Required to be Communicated with Those Charged with Governance

Our responsibility with regard to the financial statement audit under U.S. auditing standards:

Our audit of the financial statements included obtaining 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 or to identify deficiencies in the design or operation of internal control. Accordingly, we considered the District's internal control solely for the purpose of determining our audit procedures and not to provide assurance concerning such internal control.

Matters Required to be Communicated with Those Charged with Governance

Our responsibility with regard to the financial statement audit under U.S. auditing standards:

We are also responsible for communicating significant matters related to the financial statement audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Matters Required to be Communicated with Those Charged with Governance

Significant Accounting Practices:

Our views about qualitative aspects of the District's significant accounting practices, including accounting policies, accounting estimates, and financial statement disclosures

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 2 to the financial statements. During the year ended June 30, 2025, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences* and Statement No. 102, *Certain Risk Disclosures*. No other new accounting policies were adopted and there were no changes in the application of existing policies during the year. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Matters Required to be Communicated with Those Charged with Governance

Significant Unusual Transactions:

No significant unusual transactions were identified during our audit of the District's financial statements.

Matters Required to be Communicated with Those Charged with Governance

Significant Difficulties Encountered During the Audit:

We are to inform those charged with governance of any significant difficulties encountered in performing the audit. Examples of difficulties may include significant delays by management, an unreasonably brief time to complete the audit, unreasonable management restrictions encountered by the auditor or an unexpected extensive effort required to obtain sufficient appropriate audit evidence.

No significant difficulties were encountered during our audit of the District's financial statements.

Matters Required to be Communicated with Those Charged with Governance

Disagreements With Management:

Disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the District's financial statements, or the auditor's report.

There were no disagreements with management.

Matters Required to be Communicated with Those Charged with Governance

Circumstances that affect the form and content of the auditor's report:

There were no circumstances that affected the form and content of the auditor’s report.

Matters Required to be Communicated with Those Charged with Governance

Other findings or issues arising from the audit that are, in the auditor's professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process:

There were no other findings or issues arising from the audit to report.

Matters Required to be Communicated with Those Charged with Governance

Uncorrected Misstatements:

Uncorrected misstatements, or matters underlying those uncorrected misstatements, as of and for the year ended June 30, 2025, could potentially cause future-period financial statements to be materially misstated, even though we have concluded that the uncorrected misstatements are immaterial to the financial statements, including disclosures, under audit.

Matters Required to be Communicated with Those Charged with Governance

Material, Corrected Misstatements:

Material, corrected misstatements that were brought to the attention of management as a result of audit procedures.

No material misstatements were identified as a result of our audit.

Matters Required to be Communicated with Those Charged with Governance

Management's Consultation with Other Accountants:

When we are aware that management has consulted with other accountants about significant auditing or accounting matters, we discuss with those charged with governance our views about the matters that were the subject of such consultation.

We are not aware of instances where management consulted with other accountants about significant auditing or accounting matters.

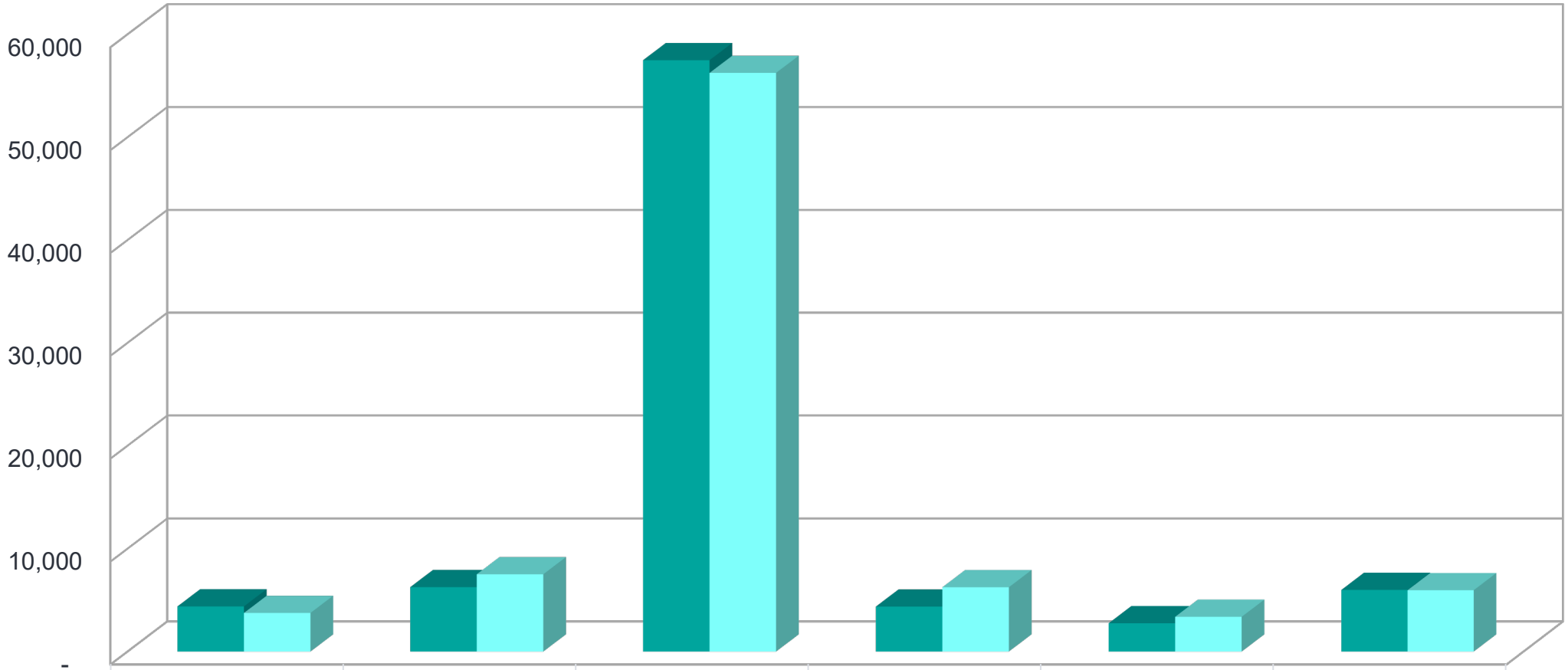
Matters Required to be Communicated with Those Charged with Governance

Significant issues arising from the audit that were discussed, or the subject of correspondence with management:

No significant issues arose during the audit that have not been addressed elsewhere in this presentation.

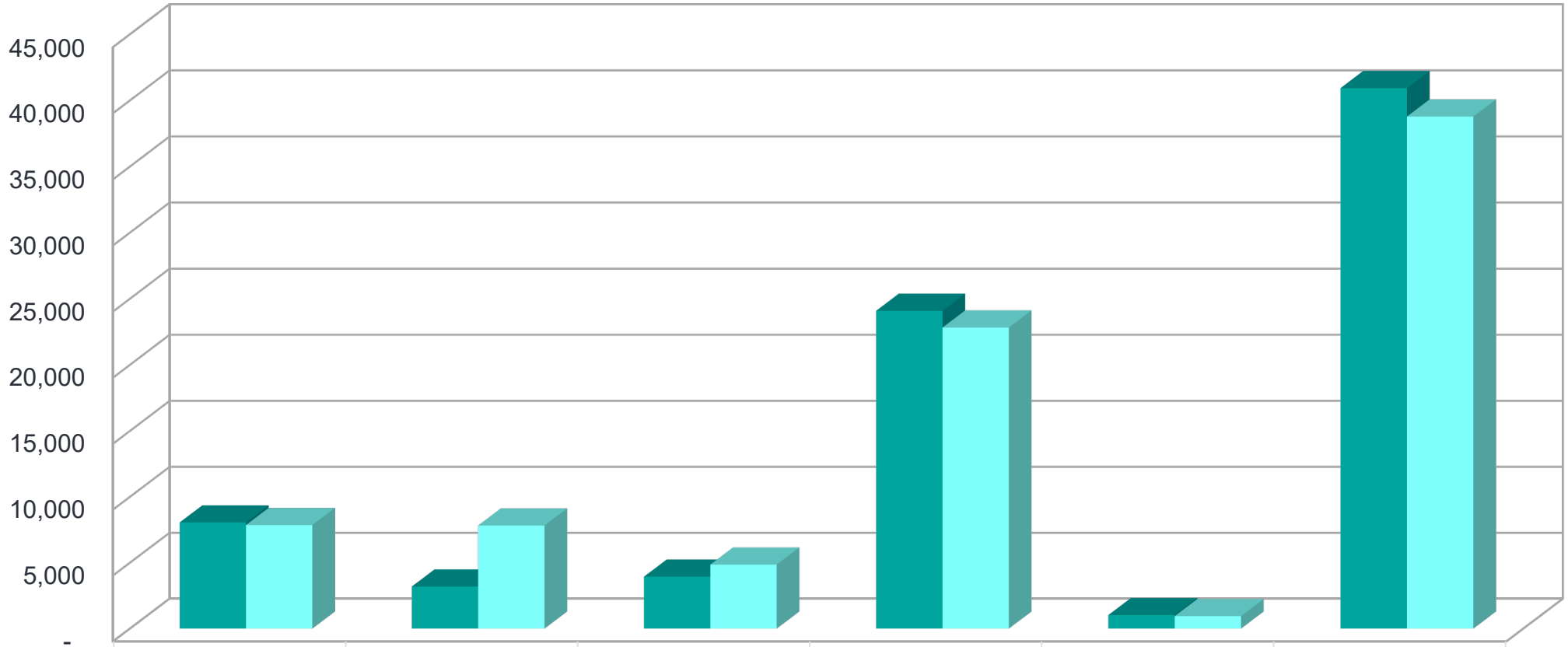
Statements of Net Position

Assets (in thousands)



	Cash and cash equivalents	Patient accounts receivable	Capital assets, net	Right-of-use assets and subscription assets	Other assets	Investments restricted for debt service
2025	4,386	6,259	57,486	4,368	2,749	5,987
2024	3,749	7,506	56,250	6,244	3,374	5,957

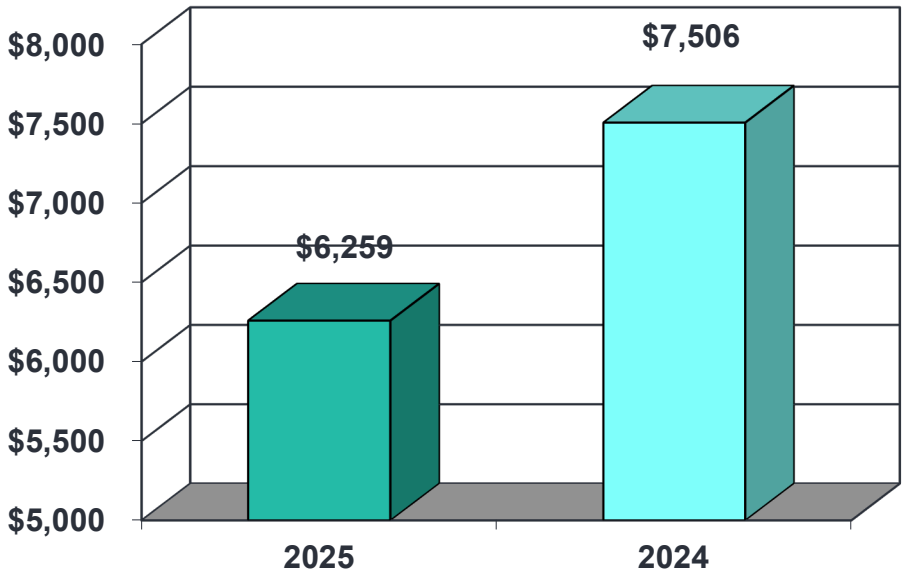
Liabilities and Net Position (in thousands)



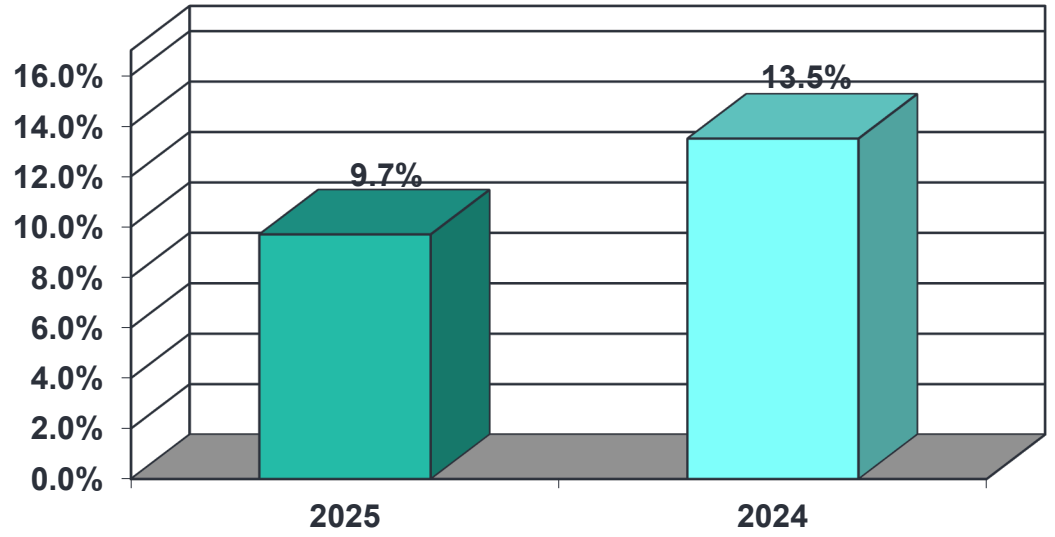
	Accounts ay & accrued liabilities	Other current liabilities	Operating lease and subscription liabilities	Bonds and notes payable	Other long term liabilities	Net position
2025	8,054	3,192	3,942	24,088	1,027	40,932
2024	7,859	7,822	4,856	22,820	945	38,778

Net Patient Service Accounts Receivable

Dollars (in thousands)



% Net Revenues

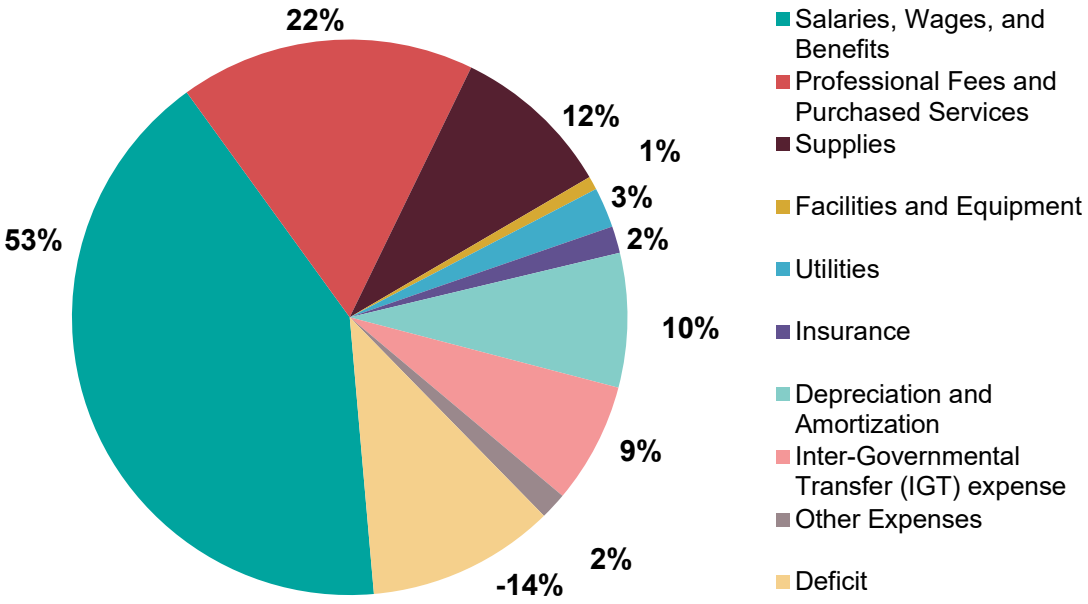


Operations

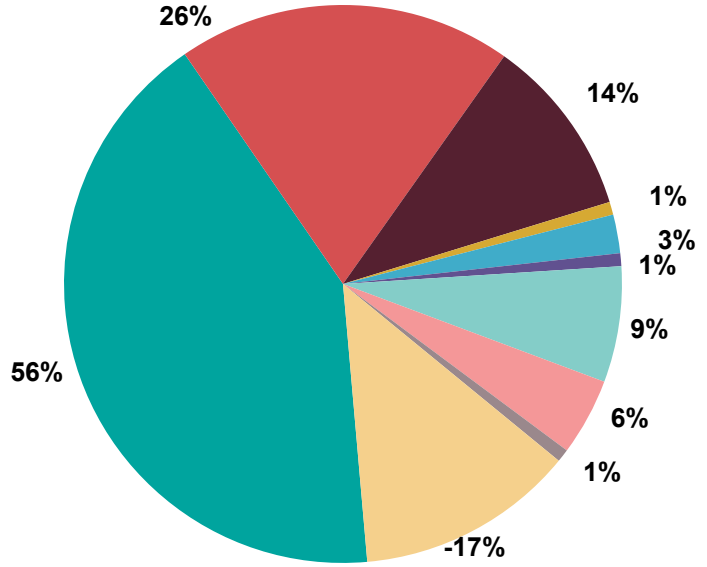
Income Statements Year to Year Comparison

Total Operating Revenue (in thousands)

June 30, 2025
$64,531

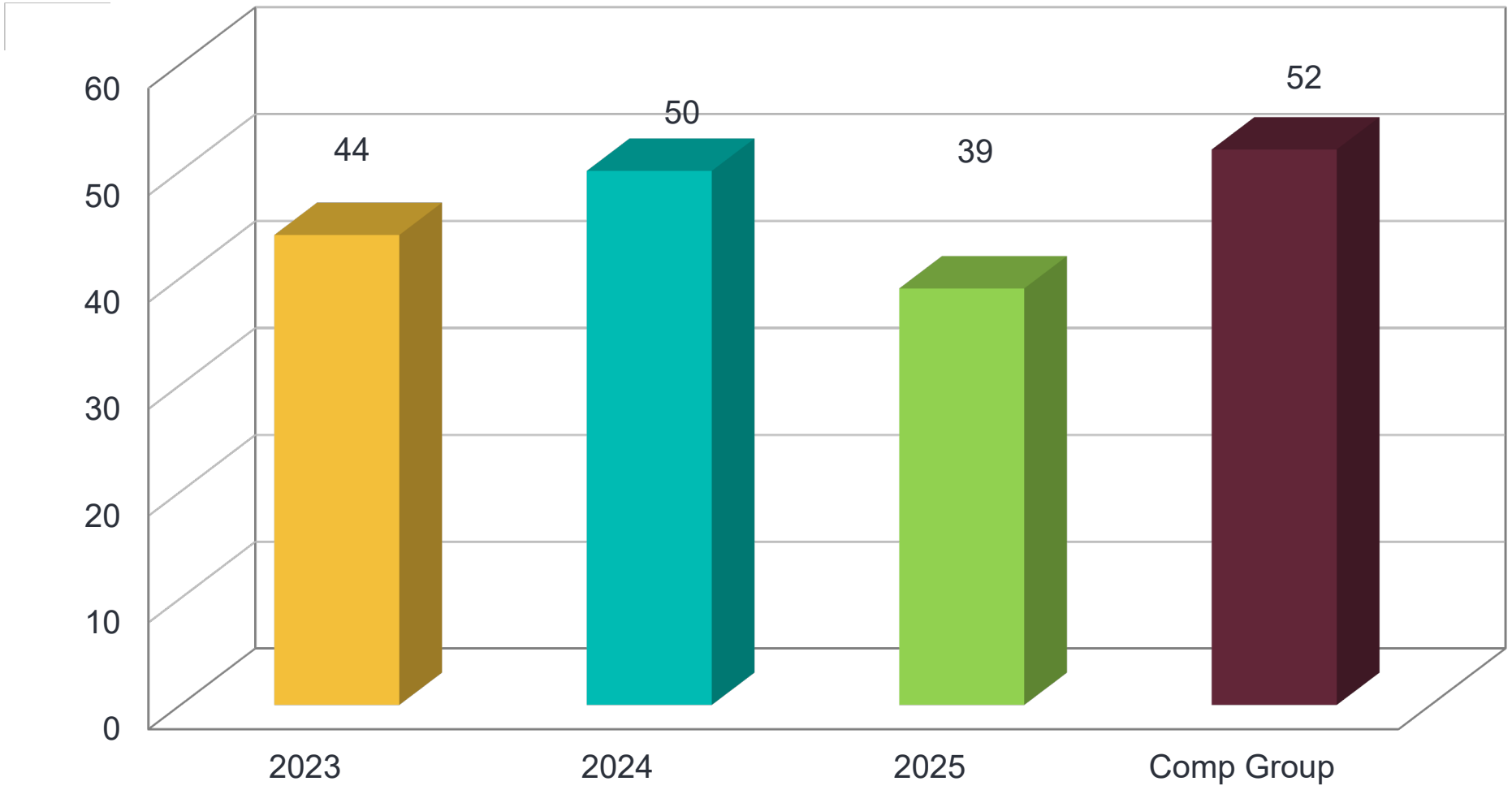


June 30, 2024
$56,018

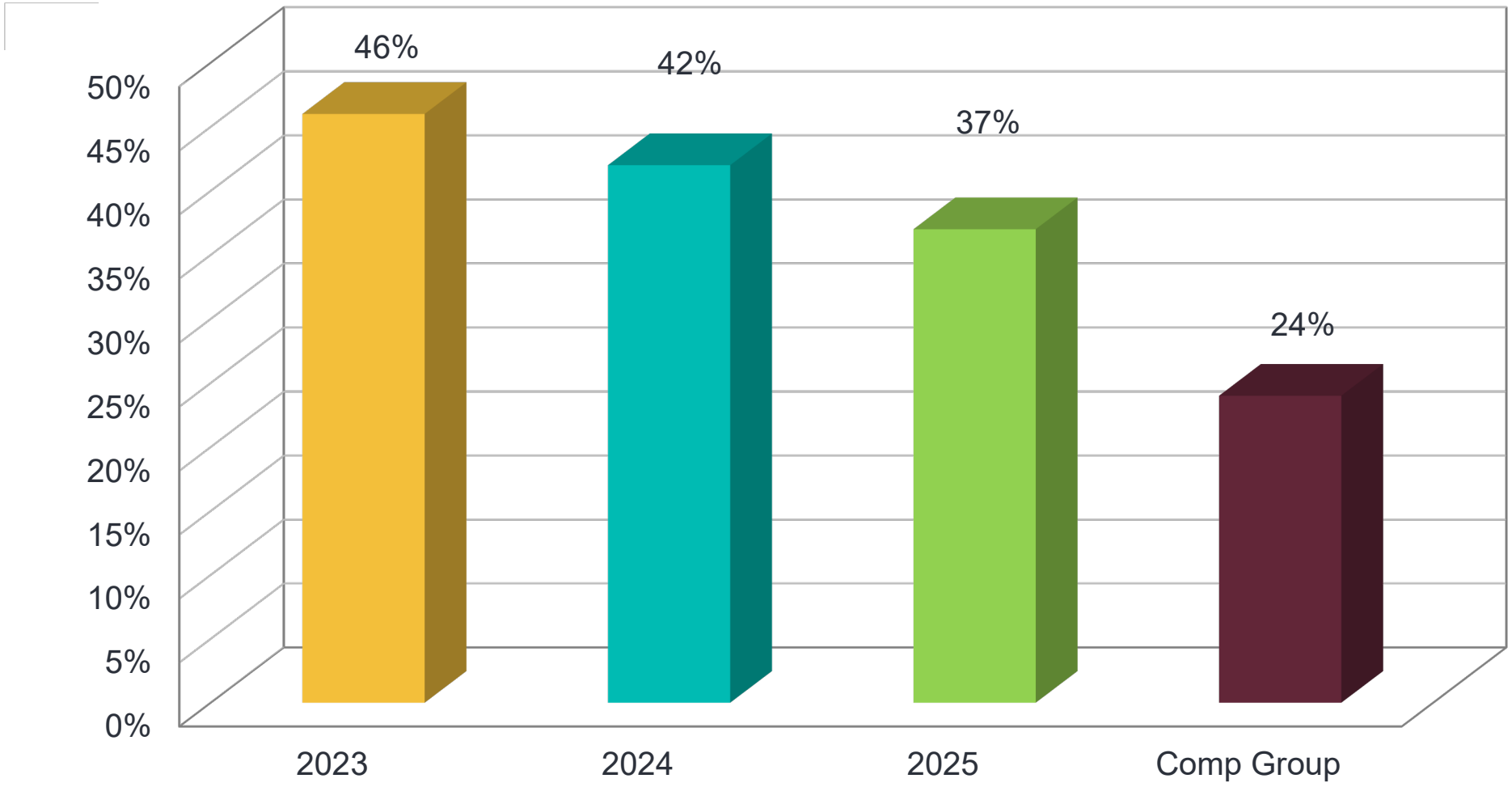


Other information

Days in Net Accounts Receivable



Debt to Capitalization



Your Service Team

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THANK YOU

Communications with Those
Charged with Governance

Sonoma Valley Health Care District

June 30, 2025

Communications with Those Charged with Governance

To the Board of Directors
Sonoma Valley Health Care District

We have audited the financial statements of Sonoma Valley Health Care District (the District) as of and for the year ended June 30, 2025, and have issued our report thereon dated _____, 2025. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated February 3, 2025, we are responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management, with your oversight, are prepared, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS), and the California Code of Regulations, Title 2 Section 1131.2, State Controller's *Minimum Audit Requirements* for California Special Districts. As part of an audit conducted in accordance with the standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Sonoma Valley Health Care District's internal control over financial reporting. Accordingly, we considered Sonoma Valley Health Care District's internal control solely for the purposes of determining our audit procedures and not to provide assurance concerning such internal control.

We are also responsible for communicating significant matters related to the financial statement audit that, in our professional judgment, are relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated February 3, 2025.

Significant Audit Findings and Issues

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Sonoma Valley Health Care District are described in Note 2 to the financial statements. During the year ended June 30, 2025, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences* and Statement No. 102, *Certain Risk Disclosures*. No other new accounting policies were adopted and there were no changes in the application of existing policies during the year. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of net patient service revenue is reported at the estimated net realizable amounts 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. We evaluated the key factors and assumptions used to develop the estimated net realizable amounts. We found management's basis to be reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the provision for uncollectible accounts is recognized based on management's estimate of amounts that ultimately may be uncollectible. 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. We evaluated the key factors and assumptions used to develop the provision for uncollectible accounts. We found management's basis to be reasonable in relation to the financial statements taken as a whole.
- Management's estimated liability for workers' compensation claims is recognized based on management's estimate of historical claims experience and known activity subsequent to year end. We evaluated the key factors and assumptions used to develop the actuarial estimates of uninsured losses for professional liabilities and workers' compensation. We found management's basis to be reasonable in relation to the financial statements taken as a whole.
- Management's estimates of useful lives of capital assets are based on the intended use and are within accounting principles generally accepted in the United States of America. We found management's basis to be reasonable in relation to the financial statements taken as a whole.

- Management's estimates of the discount rate, useful lives, lease terms related to the District's operating lease right-of-use assets and lease liabilities. We have gained an understanding of management's key factors and assumptions and examined the documentation supporting the estimates. We found management's basis to be reasonable in relation to the District's financial statements taken as a whole.
- Management's estimates of the discount rate, subscription terms, and other assumptions related to the District's subscription assets and subscription liabilities. We have gained an understanding of management's key factors and assumptions and examined the documentation supporting the estimates. We found management's basis to be reasonable in relation to the District's financial statements taken as a whole.

Actual results could differ from these estimates. In accordance with accounting principles generally accepted in the Unites States of America, any change in these estimates is reflected in the financial statements in the year of change.

Financial Statement Disclosures

The disclosures in the financial statements are consistent, clear, and understandable. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were disclosures relating to significant concentration of net patient service revenue, capital assets, bonds and notes payable, operating leases, subscription-based IT arrangements, and line of credit.

Significant Unusual Transactions

We encountered no significant unusual transactions during our audit of the District's financial statements.

Significant Difficulties Encountered in Performing the Audit

Professional standards require us to inform you of any significant difficulties encountered in performing the audit. No significant difficulties were encountered during our audit of the District's financial statements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. No such disagreements arose during the course of our audit.

Circumstances that Affect the Form and Content of the Auditor's Report

There may be circumstances in which we would consider it necessary to include additional information in the auditor's report 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. There were no circumstances that affected the form and content of the auditor's report.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all factual and judgmental misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no uncorrected financial statement misstatements whose effects, as determined by management, are material, either individually or in the aggregate, to the financial statements taken as a whole.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated _____, 2025.

Management Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Significant Audit Findings or Issues

We are required to communicate to you other findings or issues arising from the audit that are, in our professional judgment, significant and relevant to your oversight of the financial reporting process. There were no such items identified.

This information is intended solely for the use of the Board of Directors and management of the Sonoma Valley Health Care District, and is not intended to be, and should not be, used by anyone other than these specified parties.

[Signature]

San Francisco, California
_____, 2025

Report of Independent Auditors and
Financial Statements with
Supplementary Information

Sonoma Valley Health Care District

June 30, 2025 and 2024

Table of Contents

Management's Discussion and Analysis

Sonoma Valley Health Care District
Management's Discussion and Analysis
Years Ended June 30, 2025, 2024, and 2023

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, 2025 and 2024. 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 total net position increased in 2025 by approximately $2,155,000 or 6% and increased in 2024 by approximately $2,730,000 or 8%.

- Cash and cash equivalents increased by approximately $638,000 or 17% and decreased in 2024 by approximately $2,574,000 or 41%. The increase in 2025 was driven primarily by the receipt of increased supplemental funding through the renegotiated Rate Range Intergovernmental Transfer (IGT) Program, as well as stronger patient volumes and improved cash collections. 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 California Health Facilities Finance Authority (CHFFA) totaling over $700,000, as well as incremental cash outlay to complete the Hospital's new electronic medical record (EMR).

- Net patient accounts receivable decreased in 2025 by approximately $1,247,000 or 17% and decreased in 2024 by approximately $337,000 or 4%. The decrease in 2025 reflects continued improvement in billing and collection processes, supported by another full year of operational experience with the Epic electronic health record system. Enhanced workflows, greater staff proficiency, and timelier follow-up contributed to stronger cash collections and lower outstanding receivables. The decrease in 2024 is attributable to increased volumes offset by increased write offs compared to the prior year.

- The District reported operating losses in both 2025 ($8,849,000) and 2024 ($9,612,000). The operating loss in 2025 decreased by approximately $763,000 or 8% from the operating loss reported in 2024. The decrease in operating loss in 2025 reflects meaningful progress toward financial stabilization and sustainability. The improvement was driven by a combination of operational efficiencies, strong outpatient volume growth—particularly in imaging, emergency, and therapy services—and the positive financial impact of increased supplemental funding through the renegotiated Rate Range IGT Program. These factors collectively strengthened the Hospital's margin performance and contributed to improved cash flow and liquidity compared to the prior year.

Operational Changes and Future Plans

Fiscal year 2025 marked a significant turnaround for Sonoma Valley Hospital and the Sonoma Valley Health Care District. Coming off a turbulent fiscal year 2024 that was defined by transitions and the departure of key senior physicians, the District entered fiscal year 2025 with a focused strategy to restore stability and strengthen operational performance. The fiscal year 2025 budget established an ambitious goal—targeting an improvement of more than $1 million in operating performance— and the District successfully delivered on that plan.

Despite the ongoing challenges facing small community hospitals across California, fiscal year 2025 proved to be a year of meaningful progress and recovery. The Hospital experienced broad-based volume growth, particularly within outpatient services, where diagnostic imaging and emergency medicine led the way. These service lines achieved record utilization levels, underscoring the community's continued trust in the Hospital's ability to deliver timely and high-quality care close to home.

The District also saw stabilization and recovery within surgical services following the prior year's loss of its most active orthopedic surgeon. A new local orthopedist was successfully recruited and began providing clinical services in Sonoma in August 2024, which helped rebuild surgical and imaging volumes associated with orthopedic care.

Progress continued on the District's multi-year Outpatient Diagnostic Center (ODC) expansion project—a more than $20 million capital initiative designed to modernize and consolidate the Hospital's diagnostic imaging capabilities. During fiscal year 2025, the CT phase of the project was fully completed, driving a 20% increase in CT volumes year-over-year. The final phase of the ODC project— the permanent installation of the Hospital's new 3-Tesla MRI magnet—remained underway throughout the year. While the permanent structure is still pending final occupancy approvals (anticipated for the middle of fiscal year 2026), the Hospital was successful in operationalizing a temporary MRI facility, allowing the new technology to be deployed ahead of schedule. This interim solution enabled a 30% increase in MRI volumes compared to the prior year.

Construction also neared completion on the Physical Therapy expansion project, which will double the current footprint dedicated to outpatient rehabilitation services. As of June 2025, construction was more than 95% complete, with full occupancy anticipated by the end of calendar year 2025. The District also completed a targeted upgrade of the Hospital's Intensive Care Unit (ICU), enhancing the functionality and patient experience within the Hospital's critical care environment.

From a financial standpoint, the District achieved notable success through its continued participation in state supplemental funding programs. In particular, the Voluntary Rate Range IGT Program provided a substantial boost to Hospital revenues. Historically, the District has received approximately $3 million in net funding annually through this program. During 2025, the District secured an increase that resulted in $7 million in net supplemental funding, representing a critical infusion of support. This additional funding served as a major catalyst in offsetting rising operational costs, generating positive cash flow from operations, and improving the Hospital's overall cash position by approximately $3 million compared to 2024.

Looking ahead, the District continues to focus on strengthening its strategic affiliation with UCSF Health (UCSF) to enhance clinical quality, expand specialty access, and ensure long-term sustainability. The Joint Operating Committee—comprising senior leadership from both Sonoma Valley Hospital and UCSF—continued to identify and develop opportunities to grow key service lines and recruit new physician specialists to the Sonoma Valley market. Over the past year, the affiliation has facilitated the recruitment of new physicians and senior leadership positions, including a new Chief Medical Officer, who begins in October 2025. The District and UCSF are also collaborating closely on the recruitment of a permanent Chief Executive Officer, further solidifying the foundation for sustained operational and strategic success.

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 statements of net position and statements 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 statements of cash flows

The final required statement is the statements of cash flows. The statements report 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 $2,155,000, or 6% in 2025 from 2024 and increased by approximately $2,730,000, or 8% in 2024 from 2023, as shown in Table 2.

Table 1: Statements of Net Position

	2025	2024	2023
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 4,386,324	$ 3,748,581	$ 6,322,741
Investments restricted for debt service, current portion	2,787,862	2,663,610	2,563,218
Patient accounts receivable, net of allowance for doubtful accounts of $1,329,024, $4,353,661, and $1,806,659 in 2025, 2024, and 2023, respectively	6,258,623	7,505,623	7,842,950
Estimated third-party payor settlements	-	-	61,347
Property tax receivable	339,681	303,260	179,983
Other receivables	702,223	1,520,491	1,663,396
Inventories	934,239	913,408	978,625
Prepaid expenses and other current assets	772,603	637,493	1,160,940
Total current assets	16,181,555	17,292,466	20,773,200
Capital assets, net			
Nondepreciable	10,706,944	6,394,562	8,567,864
Depreciable, net of accumulated depreciation and amortization	46,779,598	49,855,214	43,402,253
Total capital assets, net	57,486,542	56,249,776	51,970,117
Operating right-of-use assets, net	1,248,112	1,498,904	1,033,640
Subscription assets, net	3,119,953	4,744,851	4,827,627
Investments restricted for debt service, net of current portion	3,198,809	3,293,726	3,210,971
Total noncurrent assets	65,053,416	65,787,257	61,042,355
Total assets	$ 81,234,971	$ 83,079,723	$ 81,815,555
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	$ 8,053,929	$ 7,859,449	$ 7,249,685
Accrued payroll and related liabilities	2,972,749	2,703,820	2,406,779
Estimated third-party payor settlements	219,231	144,884	-
Line of credit	-	4,973,734	4,973,734
Bonds payable, current portion	2,561,000	2,406,000	2,277,000
Notes payable, current portion	1,027,037	1,142,589	992,688
Other current liabilities	-	-	85,976
Operating lease obligations, current portion	263,791	286,518	372,131
Subscription liability, current portion	994,461	1,030,797	1,536,345
Total current liabilities	16,092,198	20,547,791	19,894,338
LONG-TERM LIABILITIES			
Accrued workers' compensation liability	1,027,000	945,000	1,079,260
Bonds payable, net of current portion	15,486,000	18,047,000	20,453,000
Notes payable, net of current portion	5,013,439	1,224,003	2,366,484
Operating lease obligations, net of current position	1,124,599	1,213,244	692,446
Subscription liability, net of current portion	1,559,433	2,325,128	1,282,029
Total long-term liabilities	24,210,471	23,754,375	25,873,219
Total liabilities	40,302,669	44,302,166	45,767,557
NET POSITION			
Net investment in capital assets	33,399,066	28,456,450	20,821,235
Restricted for debt service	5,986,671	5,957,336	5,774,189
Unrestricted	1,546,565	4,363,771	9,452,574
Total net position	40,932,302	38,777,557	36,047,998
Total liabilities and net position	$ 81,234,971	$ 83,079,723	$ 81,815,555

Receivables

As discussed previously, net patient accounts receivable decreased in 2025 by approximately $1,247,000 or 17% which is primarily due to more timely collections on accounts receivable. Property tax receivable increased by approximately $36,000 or 12% from 2024 and by approximately $123,000 or 68% in 2024 from 2023. Other receivables decreased in 2025 by $818,000 or 54% from 2024 due to the receipt of the Cyber-attack insurance payout. Other receivables decreased in 2024 by $143,000 or 9% from 2023.

Capital assets

At the end of 2025 and 2024, the District had approximately $57,487,000 and $56,250,000, respectively, invested in capital assets, net of accumulated depreciation, as detailed in Note 8 to the financial statements.

Debt

On June 30, 2025 and 2024, the District had approximately $24,087,000 and $22,820,000, respectively, in bonds, equipment notes payable and notes payable outstanding as detailed in Note 12 to the financial statements. The District has a new line-of-credit agreement with Summit State Bank for an amount not to exceed $5,500,000. The line-of-credit balance from June 30, 2024, was paid off with a loan from the Distressed Hospital Loan Program of $3,100,000 and a Summit State Bank three-year term loan of $1,974,000. The District had unused credit on the line of $5,500,000 as of June 30, 2025, and $526,266 as of June 30, 2024.

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

In 2025, the District's operating loss decreased by $763,000 or 8% from 2024. In 2024 the operating loss increased by $1,013,000 or 12% from 2023, as shown in Table 2 below:

	2025	2024	2023
OPERATING REVENUES			
Net patient service revenue	$ 64,269,631	$ 55,773,479	$ 54,185,879
Capitation revenue	261,251	244,147	202,502
	64,530,882	56,017,626	54,388,381
OPERATING EXPENSES			
Salaries and wages	27,731,827	25,142,587	24,777,605
Employee benefits	6,433,458	6,153,443	5,859,077
Purchased services	4,624,763	4,750,529	5,222,623
Professional fees, medical	7,688,127	7,487,831	6,938,546
Professional fees, non medical	2,263,247	2,059,989	1,960,260
Supplies	8,074,630	7,693,639	7,882,605
Facilities and equipment	402,697	407,419	358,744
Utilities	1,992,821	1,945,774	1,813,069
Insurance	1,049,308	819,515	658,491
Depreciation and amortization	6,166,625	5,267,168	4,550,776
Inter-Governmental Transfer (IGT) expense	5,897,969	3,097,493	2,271,852
Other expenses	1,054,502	804,230	693,936
Total operating expenses	73,379,974	65,629,617	62,987,584
Loss from operations	(8,849,092)	(9,611,991)	(8,599,203)
Nonoperating income (expenses)			
General obligation bond tax assessment revenues	2,774,378	2,928,571	2,628,829
Parcel tax assessment revenues	3,735,688	3,702,140	3,776,123
General obligation bond interest	(461,276)	(521,562)	(578,627)
Interest expense	(396,208)	(710,443)	(519,385)
Investment income	337,184	305,860	171,954
Other income, net	1,293,390	1,119,314	1,250,587
Total nonoperating income (expenses), net	7,283,156	6,823,880	6,729,481
Capital contributions	3,720,681	5,517,670	2,937,472
Changes in net position	2,154,745	2,729,559	1,067,750
Net position, beginning of year	38,777,557	36,047,998	34,980,248
Net position, end of year	$ 40,932,302	$ 38,777,557	$ 36,047,998

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

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

Payor mix - Percentage of total cash collections

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.

	2025	2024	2023
Medicare	19.7%	23.6%	23.4%
Medicare HMO	11.3%	10.0%	10.7%
Medi-Cal	0.4%	1.4%	1.4%
Medi-Cal Managed Care	30.6%	19.5%	20.2%
Commercial Insurance	32.8%	36.6%	34.5%
Workers Compensation	1.8%	2.1%	3.1%
Capitated	0.7%	1.0%	0.8%
Self-pay/Other	0.4%	2.3%	2.1%
Other Government	2.3%	3.5%	3.8%
	100.0%	100.0%	100.0%

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.

In 2025 the District's operating loss decreased by $763,000, or 8% from 2024. In 2024 the operating loss increased by $1,013,000, or 12% from 2023. The major components of those changes in operating loss are:

- Total operating revenues increased by $8,513,000, or 15% in 2025, compared to 2024. Total operating revenues increased by $1,629,000, or 3% in 2024. The increase in 2025 is due primarily to a 16% increase in gross emergency revenue, and by a substantial increase in supplemental funding received through the Voluntary Rate Range IGT Program. The IGT program delivered $7 million in net funding in fiscal year 2025, compared to approximately $3 million in the prior year.

- Salaries and wages and benefits increased in 2025 by $2,869,000, or 9% compared to 2024, and increased in 2024 by $659,000, or 2% compared to 2023. Salaries, wages, and benefits increased during 2025 in clinical departments related to a continued increase in patient volumes, particularly in outpatient departments, including surgery, emergency services, imaging, and physical therapy.

- Purchased services decreased in 2025 by $126,000, or 3% compared to 2024, and decreased in 2024 by $472,000, or 9% compared to 2023. The decrease in 2025 was primarily driven by the absence of one-time clinical and technical training costs related to the Hospital's Epic electronic health record system, which were incurred early in fiscal year 2024 to support system optimization and staff proficiency. Purchased services 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.

- Medical professional fees increased in 2025 by $200,000, or 3% from 2024 due to incremental costs related to the renegotiation of various physician service agreements during the year. Medical professional fees increased in 2024 by $549,000 or 8% from 2023 due to renegotiation of various physician service agreements during the year.

- Nonmedical professional fees increased in 2025 by $203,000, or 10% from 2024, and increased by $100,000, or 5% 2024 from 2023. The increase in 2025 primarily reflects the full-time staffing of key senior management positions within the District, along with additional consulting costs incurred in connection with the renegotiation of the Hospital's Rate Range IGT Program. The increase in 2024 is due to the filling of some senior management positions that had been vacant for portions of the prior year.

- Supplies increased in 2025 by $381,000, or 5% from 2024. The primary driver in this increase is the continued growth in patient volumes. 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.

- Facilities and equipment decreased in 2025 by $5,000, or 1% over 2024. 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.

- Depreciation and amortization increased in 2025 by $899,000, or 17% from 2024, and increased in 2024 by $716,000, or 16% from 2023. The increases in the two years are primarily attributable to the placement into service of major components of the ODC project, specifically the CT and MRI phases, which significantly expanded the Hospital's diagnostic imaging capacity.

- Intergovernmental Transfer (IGT) expense increased in 2025 by $2,800,000, or 90% compared to 2024, and increased in 2024 by $826,000, or 36% compared to 2023. The increase in 2025 reflects the corresponding rise in IGT program activity and payout levels, consistent with the Hospital's expanded participation in the program and the higher supplemental funding received during the year.

- Other expenses increased in 2025 by $527,000, or 15% compared to 2024, primarily due to higher recruiting and advertising costs associated with ongoing physician and leadership recruitment efforts. Other expenses increased in 2024 by $404,000, or 13% compared to 2023, driven mainly by increased advertising expenditures and higher freight and shipping costs.

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 decreased in 2025 by $154,000, or 5% compared to 2024, and increased in 2024 over 2023 by $300,000, or 11%. General obligation bond revenue decreased in fiscal year 2025 compared to 2024, primarily due to the continued reduction in the GO Bond tax rate. The District has maintained a lower assessment level as excess trustee funds remain available, reducing the need to levy higher property tax rates to meet annual debt service requirements. In contrast, GO Bond revenue increased in fiscal year 2024 compared to 2023 is a result of a year-end adjustment to recognize additional interest income earned on bond funds held in trust during that period. Parcel taxes increased in 2025 by $34,000, or 1% compared to 2024. Parcel taxes decreased in 2024 by $74,000, or 2% compared to 2023. General obligation bond and other interest expense decreased by $375,000, or 30% compared to 2024. This decrease was primarily the result of restructuring the District's line of credit balance at the end of 2024 into a fixed-rate term loan under the Distressed Hospital Loan Program, which reduced exposure to variable interest rates. In contrast, interest expense increased by $134,000, or 12% in 2024 compared to 2023, primarily due to a full year of interest payments on a CHFFA Help II Loan that was executed during the 4th quarter of 2023.

Capital grants and gifts

The District received gifts from Sonoma Valley Hospital Foundation and various individuals for the construction costs related to the ODC and to purchase capital assets in the amount $3,721,000 in 2025 and $5,518,000 in 2024; a decrease of $1,797,000 in 2025 and an increase of $2,580,000 in 2024 compared to 2023.

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.

Report of Independent Auditors

The Board of Directors
Sonoma Valley Health Care District

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sonoma Valley Health Care District, which comprise the statements of net position as of June 30, 2025 and 2024, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years 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 Health Care District as of June 30, 2025 and 2024, and the respective changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (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 Sonoma Valley Health Care District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 Sonoma Valley Health Care 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 Sonoma Valley Health Care District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sonoma Valley Health Care District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Other Matters

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 9 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 Sonoma Valley Health Care District's financial statements. The accompanying supplemental schedule of community support on pages 41 and 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.

San Francisco, California
_____, 2025

Financial Statements

Sonoma Valley Health Care District
Statements of Net Position
June 30, 2025 and 2024

	2025	2024
ASSETS		
Current assets		
Cash and cash equivalents	$ 4,386,324	$ 3,748,581
Investments restricted for debt service, current portion	2,787,862	2,663,610
Patient accounts receivable, net of allowance for uncollectible accounts of $1,329,024 and $4,353,661 in 2025 and 2024, respectively	6,258,623	7,505,623
Property tax receivable	339,681	303,260
Other receivables	702,223	1,520,491
Inventories	934,239	913,408
Prepaid expenses and other current assets	772,603	637,493
Total current assets	16,181,555	17,292,466
Capital assets, net		
Nondepreciable	10,706,944	6,394,562
Depreciable, net of accumulated depreciation and amortization	46,779,598	49,855,214
Total capital assets, net	57,486,542	56,249,776
Operating right-of-use assets, net	1,248,112	1,498,904
Subscription assets, net	3,119,953	4,744,851
Investments restricted for debt service, net of current portion	3,198,809	3,293,726
Total noncurrent assets	65,053,416	65,787,257
Total assets	$ 81,234,971	$ 83,079,723

See accompanying notes.

Sonoma Valley Health Care District
Statements of Net Position (Continued)
June 30, 2025 and 2024

	2025	2024
LIABILITIES AND NET POSITION		
Current liabilities		
Accounts payable and accrued expenses	$ 8,053,929	$ 7,859,449
Accrued payroll and related liabilities	2,972,749	2,703,820
Estimated third-party payor settlements liability	219,231	144,884
Line of credit	-	4,973,734
Bonds payable, current portion	2,561,000	2,406,000
Notes payable, current portion	1,027,037	1,142,589
Operating lease obligations, current portion	263,791	286,518
Subscription liabilities, current portion	994,461	1,030,797
Total current liabilities	16,092,198	20,547,791
Long-term liabilities		
Accrued workers' compensation liability	1,027,000	945,000
Bonds payable, net of current portion	15,486,000	18,047,000
Notes payable, net of current portion	5,013,439	1,224,003
Operating lease obligations, net of current position	1,124,599	1,213,244
Subscription liabilities, net of current position	1,559,433	2,325,128
Total long-term liabilities	24,210,471	23,754,375
Total liabilities	40,302,669	44,302,166
Net position		
Net investment in capital assets	33,399,066	28,456,450
Investments restricted for debt service	5,986,671	5,957,336
Unrestricted	1,546,565	4,363,771
Total net position	40,932,302	38,777,557
Total liabilities and net position	$ 81,234,971	$ 83,079,723

See accompanying notes.

Sonoma Valley Health Care District
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2025 and 2024

	2025	2024
OPERATING REVENUES		
Net patient service revenue	$ 64,269,631	$ 55,773,479
Capitation revenue	261,251	244,147
Total operating revenues	64,530,882	56,017,626
OPERATING EXPENSES		
Salaries and wages	27,731,827	25,142,587
Employee benefits	6,433,458	6,153,443
Purchased services	4,624,763	4,750,529
Professional fees, medical	7,688,127	7,487,831
Professional fees, non medical	2,263,247	2,059,989
Supplies	8,074,630	7,693,639
Facilities and equipment	402,697	407,419
Utilities	1,992,821	1,945,774
Insurance	1,049,308	819,515
Depreciation and amortization	6,166,625	5,267,168
Inter-Governmental Transfer (IGT) expense	5,897,969	3,097,493
Other expenses	1,054,502	804,230
Total operating expenses	73,379,974	65,629,617
Loss from operations	(8,849,092)	(9,611,991)
NONOPERATING INCOME (EXPENSES)		
General obligation bond tax assessment revenues	2,774,378	2,928,571
Parcel tax assessment revenues	3,735,688	3,702,140
General obligation bond interest	(461,276)	(521,562)
Interest expense	(396,208)	(710,443)
Investment income	337,184	305,860
Other income, net	1,293,390	1,119,314
Total nonoperating income, net	7,283,156	6,823,880
Capital contributions	3,720,681	5,517,670
Change in net position	2,154,745	2,729,559
NET POSITION, beginning of year	38,777,557	36,047,998
NET POSITION, end of year	$ 40,932,302	$ 38,777,557

See accompanying notes.

Sonoma Valley Health Care District
Statements of Cash Flows
Years Ended June 30, 2025 and 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from patients and third parties	$ 66,670,497	$ 56,704,089
Cash payments to contractors, vendors, and suppliers	(33,699,740)	(28,713,512)
Cash payments to employees and benefit programs	(33,814,356)	(31,133,249)
Net cash used in operating activities	(843,599)	(3,142,672)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Noncapital grants, contributions, and other	1,293,390	1,073,399
District tax revenues	3,767,282	3,739,667
Net cash provided by noncapital financing activities	5,060,672	4,813,066
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(4,401,028)	(6,571,603)
Proceeds from sale of capital assets	-	53,700
Principal payments on notes payable	(1,326,116)	(992,580)
Principal payments on lease obligations	(221,511)	(377,544)
Principal payments on subscription obligations	(1,155,148)	(1,255,672)
Principal payments on bonds payable	(2,406,000)	(2,277,000)
Interest paid on long-term debt	(830,686)	(1,232,005)
Proceeds from issuance of notes payable	5,000,000	-
Paydown of line of credit	(4,973,734)	-
Tax revenue related to general obligation bonds	2,706,363	2,767,767
Capital grants and gifts	3,720,681	5,517,670
Net cash used in capital financing activities	(3,887,179)	(4,367,267)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(2,706,363)	(2,767,767)
Sale of investments	2,890,575	2,820,826
Investment income	123,637	69,654
Net cash provided by investing activities	307,849	122,713
Net increase (decrease) in cash and cash equivalents	637,743	(2,574,160)
CASH AND CASH EQUIVALENTS, beginning of year	3,748,581	6,322,741
CASH AND CASH EQUIVALENTS, end of year	$ 4,386,324	$ 3,748,581

See accompanying notes.

Sonoma Valley Health Care District
Statements of Cash Flows (Continued)
Years Ended June 30, 2025 and 2024

	2025	2024
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH USED IN OPERATING ACTIVITIES		
Loss from operations	$ (8,849,092)	$ (9,611,991)
Adjustments to reconcile loss from operations to net cash used in operating activities		
Depreciation and amortization	6,166,625	5,267,168
Provision for doubtful accounts	2,135,025	2,547,002
Changes in operating assets and liabilities		
Patient accounts receivable, net	(888,025)	(2,209,675)
Inventories	(20,831)	65,217
Prepaid expenses and deposits	(135,110)	523,447
Estimated third-party payor settlements	74,347	206,231
Accounts payable and accrued expenses	(495,735)	(149,781)
Other operating assets and liabilities	1,169,197	219,710
Net cash used in operating activities	$ (843,599)	$ (3,142,672)
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Noncash acquisition of capital assets	$ 663,417	$ 759,545
Noncash acquisition of right-of-use lease assets	$ 110,139	$ 812,729
Noncash acquisition of lease obligation liabilities	$ (110,139)	$ (812,729)
Noncash acquisition of subscription assets	$ 353,117	$ 1,793,223
Noncash acquisition of subscription liabilities	$ (353,117)	$ (1,793,223)

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 District is governed by an elected board of directors (the Board) and is considered the primary government for financial reporting purposes.

The 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 Board has approved the planning phase and construction of a new outpatient diagnostic center (ODC). The construction of the ODC 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.

Investments 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 GAAP 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 31% and 34% of net patient accounts receivable at June 30, 2025 and 2024, 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, 2025 and 2024, the District recorded an allowance for uncollectible accounts receivable for amounts due directly from patients totaling $1,329,024 and $4,353,661, respectively.

Investments 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. These funds are restricted for the settlement of bond principal and interest obligations. A portion of the balance, representing amounts due within the next fiscal year, is classified as a current investment. The remainder is classified as noncurrent and will be used to settle obligations beyond one year.

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, 2025 and 2024, 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 Statement No. 87, *Leases*. 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:

	2025	2024
Medicare	19.7%	23.6%
Medicare HMO	11.3%	10.0%
Medi-Cal	0.4%	1.4%
Medi-Cal Managed Care	30.6%	19.5%
Commercial Insurance	32.8%	36.6%
Workers Compensation	1.8%	2.1%
Capitated	0.7%	1.0%
Self-pay/Other	0.4%	2.3%
Other Government	2.3%	3.5%
	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:

	2025	2024
Designated for hospital operations	$ 3,735,688	$ 3,702,140
Levied for hospital operations and debt service payments	2,774,378	2,928,571
	$ 6,510,066	$ 6,630,711

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

The District adopted GASB Statement No. 101, *Compensated Absences*, during the current fiscal year. The adoption did not have a material impact on the financial statements. District policies permit employees to accumulate paid time off benefits, which may be used as paid leave or paid out upon termination in accordance with policy. The expense and related liability are recognized when benefits are earned. Compensated absence liabilities are measured using pay rates and related compensation costs, such as payroll taxes, in effect at the statement of financial position date. The liability is presented in accrued payroll and related liabilities in the statements of net position. The following is a summary of changes in compensated absences transactions for the years ended June 30, presented on a net basis:

	Beginning Balance	Net Increases	Ending Balance	Current Portion
2025	$ 1,792,817	$166,268	$ 1,959,085	$ 1,959,085

	Beginning Balance	Net Increases	Ending Balance	Current Portion
2024	$ 1,666,017	$ 126,800	$ 1,792,817	$ 1,792,817

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. 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. 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 December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. The statement disclosure of concentrations and constraints that make a government vulnerable to the risk of a substantial financial impact. The adoption of this standard did not result in any additional disclosures or have any impact on the District's financial statements for the year ended June 30, 2025.

In May 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This statement modifies the basic financial statements and Management's Discussion and Analysis (MD&A) to enhance governmental financial reports. Changes include revisions to MD&A, modifications to proprietary fund statements, elimination of separate extraordinary and special item presentations, and changes to budgetary comparison information. This statement is effective for fiscal years beginning after June 15, 2025. The District is currently evaluating the impact of the adoption of this standard on its financial statements.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. This statement requires separate disclosure of certain capital assets in the notes, such as lease, intangible right-to-use, and subscription assets, each by major class. It also establishes new disclosure requirements for capital assets that a government has decided to sell and for which a sale is probable within one year. This statement is effective for fiscal years beginning after June 15, 2025, with retroactive application required upon adoption. The District is currently evaluating the impact of the adoption of this standard on its financial statements.

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 were issued.

The District has evaluated subsequent events through _____, 2025, 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, 2025 and 2024, the District's cash deposits had carrying amounts of $4,386,324 and $3,748,581, respectively, and bank balances of $5,260,854 and $3,929,957, 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, 2025, the District's Medicare cost reports have been audited and final settled by the fiscal intermediary through June 30, 2022.

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, 2025, the District's Medi-Cal cost reports have been audited and final settled through June 30, 2022.

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:

	2025	2024
Services provided to Medicare patients	$213,026,266	$ 181,406,838
Services provided to Medi-Cal patients	66,306,588	54,526,061
Services provided to other patients	86,318,790	95,942,535
Gross patient service revenues	365,651,644	331,875,434
Contractual adjustments and implicit price concessions	(301,382,013)	(276,101,955)
Total net patient service revenue	$ 64,269,631	$ 55,773,479

The District participates in Intergovernmental Transfer (IGT) programs authorized under Assembly Bill No. 915 related to Medi-Cal services. Under these programs, the District advances funds to the State, which uses these funds to obtain matching federal funds through Medicaid. The combined funds reimburse providers, including the District, for eligible Medi-Cal services. For the years ended June 30, 2025 and 2024, the District recognized gross patient service revenues of $14,624,610 and $8,243,787, respectively, related to Medi-Cal services, and recorded IGT expenses of $5,897,969 and $3,097,493, respectively, reflecting funds advanced to the State under the Hospital Provider Fee and Rate Range IGT programs. Revenue and expense under these programs are recognized when the Department of Health Care Services notifies the District of the final earned amounts for the service year. Patient service revenues include the gross amount earned from Medi-Cal services, while IGT payments made to the State are recorded as expenses in other expenses.

Note 6 – Investments Restricted for Debt Service

District investment balances and average maturities were as follows at June 30, 2025:

2025

	Fair Value	Less than 1 year	1 to 5 years
Money market mutual fund	$ 5,986,671	$ 5,986,671	$ -

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	$ -

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, 2025 and 2024, 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, 2025 and 2024, 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, 2025:

	Level 1	Level 2	Level 3	Fair Value
Money market mutual fund	$ 5,986,671	$ -	$ -	$ 5,986,671

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

Note 8 – Capital Assets

Capital assets activity as of June 30, 2025, consisted of the following:

	Balance, June 30, 2024	Purchases and Transfers	Sales, Transfers, and Retirements	Balance, June 30, 2025
Non-depreciable capital assets				
Land	$ 646,687	$ -	$ -	$ 646,687
Construction in progress	5,747,875	4,607,131	(294,749)	10,060,257
Total non-depreciable capital assets	6,394,562	4,607,131	(294,749)	10,706,944
Depreciable capital assets				
Land improvements	794,811	-	-	794,811
Building and improvements	73,628,808	-	65,255	73,694,063
Equipment	36,183,131	467,648	(29,449)	36,621,330
	110,606,750	467,648	35,806	111,110,204
Less accumulated depreciation	(60,751,536)	(3,827,679)	248,609	(64,330,606)
Total depreciable capital assets	49,855,214	(3,360,031)	284,415	46,779,598
Total capital assets, net	$ 56,249,776	$ 1,247,100	$ (10,334)	$ 57,486,542

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

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, 2025 and 2024. 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, 2025 and 2024. 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:

2025	Beginning Balance	Additions	Decrease	Ending Balance
Building	$ 1,977,935	$ -	$ (787,417)	$ 1,190,518
Equipment	380,730	110,139	(28,961)	461,908
	2,358,665	110,139	(816,378)	1,652,426
Less accumulated amortization	(859,761)	(360,931)	816,378	(404,314)
	$ 1,498,904	$ (250,792)	$ -	$ 1,248,112

2024	Beginning Balance	Additions	Decrease	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

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

2025	Beginning Balance	Additions	Payments	Ending Balance
Buildings	$ 1,378,291	$ -	$ (172,612)	$ 1,205,679
Equipment	121,471	110,139	(48,899)	182,711
	$ 1,499,762	$ 110,139	$ (221,511)	$ 1,388,390

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

For the years ended June 30, 2025 and 2024, the District recognized $360,931 and $347,465, respectively, in amortization expense included in depreciation and amortization expense on the statements of revenues, expenses, and changes in net position.

The future principal and interest lease payments as of June 30, 2025, were as follows:

Year Ending June 30,	Principal Payments	Interest Payments	Total
2026	$ 263,791	$ 62,967	$ 326,758
2027	260,765	50,290	311,055
2028	218,899	37,664	256,563
2029	197,590	27,759	225,349
2030	214,617	17,493	232,110
Thereafter	232,728	6,351	239,079
	$ 1,388,390	$ 202,524	$ 1,590,914

The District evaluated the right-of-use assets for impairment and determined there was no impairment for the years ended June 30, 2025 and 2024.

Note 10 – Subscriptions

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

2025	Beginning Balance	Additions	Retirements	Ending Balance
Subscription assets	$ 7,833,579	$ 353,117	$ (58,207)	$ 8,186,696
Less accumulated amortization	(3,088,728)	(1,978,015)	58,207	(5,066,743)
	$ 4,744,851	$ (1,624,898)	$ -	$ 3,119,953

2024	Beginning Balance	Additions	Retirements	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

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

2025	Beginning Balance	Additions	Payments	Ending Balance
Subscription liabilities	$ 3,355,925	$ 353,117	$ (1,155,148)	$ 2,553,894

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

For the years ended June 30, 2025 and 2024, the District recognized $1,978,015 and $1,875,999, respectively, in amortization expense included in depreciation and amortization expense on the statements of revenues, expenses, and changes in net position.

The future subscription payments as of June 30, 2025, were as follows:

Year Ending June 30,	Principal Payments	Interest Payments	Total
2026	$ 994,461	$ 90,948	$ 1,085,409
2027	663,912	115,757	779,669
2028	576,609	82,446	659,055
2029	318,912	30,208	349,120
	$ 2,553,894	$ 319,359	$ 2,873,253

The District evaluated the subscription assets for impairment and determined there was no impairment for the years ended June 30, 2025 and 2024.

Note 11 – Line of Credit

The District had a line of credit with U.S. Bank National Association, which had an outstanding balance of $4,973,734 at June 30, 2024, and matured on November 28, 2024. This line of credit was fully paid off during the year ended June 30, 2025.

In October 2025, the District established a new line-of-credit agreement with Summit State Bank with a maximum available amount of $5,500,000, an interest rate of 9.00%, maturing November 1, 2031. The line of credit is collateralized by the District's inventory, chattel paper, accounts, equipment, and general intangibles. As of June 30, 2025, there was no outstanding balance on this line.

The District is required to comply with certain financial covenants related to these lines of credit. Management believes all covenants were met or waivers obtained as of June 30, 2025 and 2024.

Note 12 – Long-Term Debt

The District's long-term debt transactions as of June 30, 2025, consisted of the following:

	Balance, June 30, 2024	Additions	Decreases/ Amortization	Balance, June 30, 2025
Bonds payable	$ 20,453,000	$ -	$ (2,406,000)	$ 18,047,000
Notes payable	2,366,592	5,000,000	(1,326,116)	6,040,476
	$ 22,819,592	$ 5,000,000	$ (3,732,116)	$ 24,087,476

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
Bonds payable	$ 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

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 $6,567,000 and $7,493,000 as of June 30, 2025 and 2024, 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 $11,480,000 and $12,960,000 as of June 30, 2025 and 2024, respectively.

Notes payable

Notes payable are detailed as follows:

	2025	2024
California Health Facilities Financing Authority NDPH Bridge Loans, three loan agreements, 0% interest, due in fiscal year 2025. Secured by Medi-Cal payments.	$ -	$ 750,000
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.	1,224,003	1,616,592
California Health Facilities Financing Authority Distressed Hospital Loan, 0% interest with a maturity date of July 1, 2030. Secured by Medi-Cal payments.	3,100,000	-
Summit State Bank business loan dated October 30, 2024; bearing interest at 7.75% with a maturity date of November 16, 2029. Secured by all Inventory, Chattel Paper, Accounts, Equipment, and General Intangibles	1,716,473	-
	6,040,476	2,366,592
Current portion	(1,027,037)	(1,142,589)
	$ 5,013,439	$ 1,224,003

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,				
2026	$ 2,561,000	$ 420,446	$ 1,027,037	$ 143,956
2027	2,728,000	351,130	1,463,490	108,262
2028	2,901,000	276,184	1,501,431	70,320
2029	3,091,000	195,173	1,117,747	33,339
2030	3,286,000	107,681	873,364	3,740
Thereafter	3,480,000	62,650	57,407	-
	$ 18,047,000	$ 1,413,264	$ 6,040,476	$ 359,617

Interest costs

Interest costs incurred on all outstanding debt during the years ended June 30, 2025 and 2024, is summarized as follows:

	2025	2024
Interest cost		
Paid	$ 830,686	$ 1,060,979
Accrued	26,798	171,026
Total interest expense	$ 857,484	$ 1,232,005

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 Board. 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% for 2025 and 2024.

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 $602,541 and $563,825 for 2025 and 2024, 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, 2025 and 2024, 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, 2025. A liability is accrued for self-insured workers' compensation claims, including both claims reported, and claims incurred but not yet reported, of $1,027,000 and $945,000 as of June 30, 2025 and 2024, 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% at June 30, 2025 and 2024. 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
2025	$ 945,000	$ 82,000	$ -	$ 1,027,000

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

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 $3,720,681 and $5,517,670, respectively, for the years ended June 30, 2025 and 2024.

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 noncompliance 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, 2025 and 2024, the District provided free or discounted care to underserved individuals unable to pay for medically necessary services, including those uninsured, underinsured, or ineligible for government programs. Eligibility is determined based on individual financial circumstances in accordance with the District’s charity care policy. Estimated costs of charity care were $225,133 and $53,810 for 2025 and 2024, respectively, calculated using a Medicare-based cost-to-charge ratio applied to eligible service charges. These estimates exclude payments received from third parties. The District provided charity care to 161 and 71 patient cases during the years ended June 30, 2025 and 2024, 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:

	2025	2024
Community benefits (charity care) allowances	$ 225,133	$ 93,006
State Medi-Cal and other public aid programs	66,306,588	54,526,061
Provision for uncollectible accounts	2,125,000	1,906,299
	$ 68,656,721	$ 56,525,366

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

	2025	2024
Uncompensated costs of community benefits and uncollectible accounts	$37,582	$ 10,614
Medi-Cal and other public aid programs	7,848,337	6,366,939
	$ 7,885,919	$ 6,377,553

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

Sonoma Valley Health Care District
Supplementary Information Related to Community Support (Unaudited)
For the Years Ended June 30, 2025 and 2024

Community support

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

	2025	2024
Capital grants and contributions from Sonoma Valley Hospital Foundation	$ 3,720,681	$ 5,517,670
	$ 3,720,681	$ 5,517,670

SONOMA VALLEY HOSPITAL
SONOMA VALLEY HEALTH CARE DISTRICT
HEALING HERE AT HOME

To: SVHCD Finance Committee
From: Bryan Lum, Director of IT
Date: October 28th, 2025
Subject: Information Technology Systems Review – October25

1. Purpose

To provide a high-level assessment of the Sonoma Valley Hospital's information technology environment, focusing on overall system performance, key vulnerabilities, and cybersecurity readiness. This review helps ensure that IT infrastructure continues to support safe and reliable clinical and administrative operations.

2. Overview

This review summarizes the current state of the hospital's core technology systems, identifies potential risks, and outlines areas requiring strategic investment or mitigation. The goal is to maintain system stability, protect sensitive data, and ensure readiness for future regulatory and operational demands.

3. System Performance

- **Reliability:** Review uptime, speed, and functionality of major systems (Epic EMR, PACS, billing, network, and communication tools).
    - SVH Internet Connectivity and SD-WAN – 2025: implemented two separate 500M fiber links, and a backup AT&T 5G wireless appliance, and deployed HPE Silver Peak SD-WAN for redundancy with these circuits.
    - Providence Epic EMR Connectivity and SD-WAN – 2025: implemented Providence SD-WAN onsite to provide redundant connections directly to Providence data centers, ensuring continuous access to Epic.
    - Office@Hand VOIP phone system – 2025: replaced Avaya on-premises hybrid analog-digital phone system and analog lines with the cloud-based VOIP phone system Office@Hand (AT&T-branded RingCentral) at the main hospital and all branch offices.

- **Aging Infrastructure:** Identify legacy systems, unsupported software, or hardware nearing end-of-life.
    - Legacy East Wing Data Center UPS has end-of-life batteries and failing capacitors.
    - Legacy Network Switchgear, with its 10-gigabyte distribution and aging core and access switches.
    - Network Attached Storage used for production server backup is becoming obsolete
    - Rukus Wireless WiFi controllers and access points are end of life.
    - Network cabling is aging.
    - Fiber cabling is aging.
    - Nurse Call system is antiquated.
    - Two-way radios are aging.

    - Overhead Paging system that uses amplifiers and wiring from circa 1980s.
- **User Impact:** Note any recurring outages, slow performance, or workflow interruptions affecting clinical or business operations.
    - Providence “Epic” is a source of recurring technical outages, service interruptions, slow performance, and sluggish and poor support.
    - Cellular Coverage: Verizon Wireless and T-Mobile coverage is virtually non-existent in most of the hospital.
    - Switch and network interface failures affecting user workstations and other devices cause downtime while a replacement switch is obtained, prepared, configured and installed.
    - Hospital staff cannot hear overhead paging in certain areas of the hospital due to many adjustments to the old amplifiers, pre-amps and wiring connected to overhead speakers.

4. Threats & Weaknesses

- **Technical Debt:** Outdated equipment, fragmented systems, or lack of standardization across platforms.
    - The lack of changing IT equipment over the past 10+ years has had a major impact on quality, efficiency, and reliability of the overall IT system and network. This has caused a higher operational cost across the organization. As technology ages it costs more to maintain.

- **Single Points of Failure:** Systems or vendors on which critical operations depend without adequate redundancy.
    - Legacy 10-gigabyte Distribution Network Switching – circa 2009, and is at least 10 years past end of life.
    - Legacy Access Network Switching – circa 2005, 2008, 2009 and 2012, and is at least 10+ years past end of life.
    - Legacy Virtual production server environment is end of life.

- **Data Management Gaps:** Weak backup or recovery processes; insufficient data storage or retention practices.
    - Disaster Recovery is not adequate – Veeam backup product is very good, backs up virtual machines and network workstations to Network Attached Storage (NAS) with subsequent immediate copy to cloud storage. But recovery could still take weeks to months should disaster strike.
    - An enterprise Data Recovery (DR) system is needed that can restore business operations in minutes to hours.

- **Operational Risks:** Limited IT staffing coverage, delayed system patching, or inadequate user training.
    - System administration and network engineering coverage is lacking.
    - IS technical staffing training/expertise is lacking.
    - End user training, and security awareness of phishing, email management, and email encryption is inadequate.

- Insufficient cloud-based collaboration using Microsoft 365, Teams, SharePoint, and OneDrive. Increased use would improve data loss prevention, insider risk management, and data security.

5. Cybersecurity & Risk Posture

- **Threat Landscape:** Review recent attempted or detected cyber intrusions, phishing events, or external vulnerability reports.
    - Quarterly check-in calls with the Security Operations Center (SOC) for Adlumin Extended Detection and Response (XDR) system to review any events.
    - Weekly email reports of any events, incidents or detections sent to IS Manager for review.
    - Immediate email notification of any urgent events, incidents or detections by Security Operations Center SOC.
    - Manual review of the Adlumin XDR portal review reports for any identified risks, events or incidents.

- **Safeguards in Place:** Multi-factor authentication, endpoint protection, firewall and intrusion monitoring, backup encryption, and user access controls.
    - SOC with XDR – Adlumin installed on all network machines.
    - ESET – Endpoint Protection Host Intrusion Prevention system installed on all servers and end user computers.
    - Privileged Access Management – VPAM Securelink – manages, monitors and logs remote vendor access to internal network resources and servers.
    - Single Sign On (SSO) using Duo multifactor authentication (MFA) is deployed on all systems that can be accessed remotely, including the SVH Citrix storefront, Microsoft Office 365, and Kronos UKG (timekeeping system).
    - Multifactor Authentication with anti-Phishing capabilities using Duo MFA.
    - Veeam Vault Cloud backups – All virtual machine backups copied to cloud backup storage are immutable, encrypted and compressed at rest.
    - User password expiration, currently set to 12 months.

- **Vulnerability Management:** Timeliness of security patching, penetration testing results, and audit findings.
    - Windows workstation and server security patching is performed monthly, typically around the second Tuesday of each month, coinciding with Microsoft's monthly updates schedule.
    - Linux server security patching is done daily, if needed.
    - ESET Endpoint Management provides alerts for Windows critical and security updates.
    - Penetration Testing was performed in 2024 by Portola Systems, who reported no results.

- **Incident Response Readiness:** Policies and procedures for identifying, containing, and reporting breaches. **Compliance:** Status of HIPAA, HITECH, and other regulatory cybersecurity requirements.
    - ESET "virus, malware, hard drive encryption"
    - N-able: Adlumin is our current Cyber Security Vendor / monitoring system
    - PurView – Microsoft Data Security and Governance

- Providence Epic

6. Summary Assessment

Provide a concise summary of:

- Overall system health and reliability. Scalability: Assess the ability of systems to handle current and projected demand as volumes increase.
  - Network Infrastructure: 3/10
  - Server Infrastructure: 3/10; in process for full replacement in 2026
  - Multiple ISP vendors for internet access: 10/10
  - Providence Epic Electronic Medical Record (EMR) system: 5/10
  - Communications systems: 5/10
  - Computer Desktops and Laptops: 4/10
  - Printers and Scanners: 9/10

- Major vulnerabilities or areas of concern
  - The use of Remote Desktop via Citrix to access network drives.
  - Disaster Recovery Solution
  - Biomedical Devices

- Immediate and long-term priorities
  - Server infrastructure replacement and upgrade
  - Network infrastructure replacement and upgrade
  - Move to Virtual Desktop Infrastructure (VDI)
  - A robust backup disaster relief environment

7. Next Steps / Recommendations

- Address highest-risk system weaknesses and cybersecurity gaps.
  - Moving all SVH data from legacy shared drives to Microsoft's SharePoint cloud storage
  - Minimizing, removing or better securing Remote Desktop access
  - Virtual Desktop Infrastructure VDI

- Prioritize infrastructure stabilization (e.g., network refresh, backup upgrades).
  - Replace network switches
  - Replace network firewalls
  - Replace Wi-Fi access points
  - Implement a Disaster Recovery environment

SVH IT Systems - Summary Assessment

- **Network Infrastructure: 3/10**
  - Network Switches - 15+ years old and beyond normal replacement cycle
  - Network Firewalls - End of life
  - Network Cabling – 2 to 3 generations old
- **Server Infrastructure: 3/10**
  - Server Hardware is End of Life, in process for full replacement FY2026 / FY2027
- **Providence Epic Electronic Medical Record (EMR) system: 5/10**
  - SDWAN Providence Connectivity to SVH – Completed in 2025
  - Very limited custom abilities for modules, interfaces, data transfers
  - Providence cloud data center issues once 3 to 4 weeks, which causes SVH to go to downtime procedures.
- **Communications systems: 5/10**
  - Phones System – Upgraded at all SVH locations 2025
  - Walkie Talkie - End of life
  - Overhead Paging System – End of Life
- **Printers and Scanners: 9/10**
  - Printer and Scanner Full Refresh at SVH 2023

SVH IT Systems - Summary Assessment (Cont.)

- **Computer Desktops and Laptops: 4/10**
  - 75% of the computer hardware devices are End of Life out dated hardware
  - Outdated hardware does not run newer applications and more vulnerable to cyber attacks
- **Cybersecurity: 3/10**
  - Privileged Access Management
  - Computer and Server encryption bare minimum requirements
  - Cyber Security Vendor network and servers bare minimum requirements
  - Network hardware 15+ years old causes major vulnerabilities to cyber attacks
  - Server hardware end of life causes major vulnerabilities to cyber attacks
  - Computer hardware end of life causes major vulnerabilities to cyber attacks
  - File Share drives to File Cloud drives

SONOMA VALLEY HOSPITAL
SONOMA VALLEY HEALTH CARE DISTRICT
HEALING HERE AT HOME

To: SVHCD Finance Committee
From: Ben Armfield, Chief Financial Officer
Date: October 28th, 2025
Subject: Summit Bank LOC Renewal

ASK

Management is requesting Finance Committee approval to renew and expand the existing Line of Credit (LOC) with Summit State Bank, which serves as the District's primary source of short-term working capital liquidity. This renewal proposal would increase the District's available credit limit from $5.5 million to $10.5 million.

BACKGROUND AND REASONING

About a year ago, the SVHCD Board of Directors formally approved management to enter into a new banking relationship, moving away from US Bank (formally Union Bank) and transitioning to Summit State Bank. The following (which was also included in the Debt Profile Review that was presented to the Finance Committee in August) summarizes both the nature and rationale for entering into the two loans the District currently has with Summit Bank.

Line of Credit:

Established in late 2024, this replaced the legacy Union/US Bank line and now serves as the hospital's primary source of liquidity for working capital. The line currently carries a loan amount of $5.5 million, with an interest rate of Prime + 1.5% and matures in 2031. Any draw on the line requires a repayment in 150 days. The line carries a 7-year maturity (through November 2031) and is subject to annual renewal based on lender review.

Covenants: 1) SVH maintains primary banking relationship with Summit; 2) Zero LOC balance for 30 consecutive days; 3) Minimum DSCR Ratio (Op. EBITDA) of 1:1; 4) LOC draws to be repaid within 150 days; 5) Minimum Liquidity : Liquid Assets > $2,000,000 at FYE.

Summit State Bank Term Loan ($1.9M):

As part of the transition away from US Bank, the hospital refinanced the remaining $1.9M balance of the old LOC into a fixed-rate term loan at 7.75%, maturing in 2029. While this carries a higher fixed interest rate, it converts a short-term revolving liability into a predictable amortization schedule. This shift reduces refinancing risk and provides a clearer path to repayment.

RENEWAL TERMS

There are no changes to the existing Summit State bank Term Loan ($1.9M). The only proposed changes with this renewal relate to the Line of Credit Agreement. We are seeking approval to move forward with this LOC renewal with Summit Bank, which increases the available line from $5.5 million to $10.5 million. Other changes in terms from original agreement include:

Credit Limit – (as discussed above) Increases from $5.5 million to $10.5 million

Authorized Signors – Wendy Lee Myatt (SVHCD Board Chair) & Ben Armfield (SVH Interim CEO) added as authorized signors for the District.

Interest Floor Rate – Increases from 8.0% to 8.25%

Annual Renewal Fee – Increases from .25% of note to 1.0% of note

The table below summarizes the key terms from the original agreement vs. the proposed amendment:

SUMMIT BANK - LOC LOAN TERM COMPARISON	Summit Bank - Current Terms	Summit Bank - New Terms	Summit Proposal Changes - Current vs. New (renewal)
Line of Credit Terms			
Loan Amount	$ 5,500,000	$ 10,500,000	Loan amount increased from $5.5M to $10.5M
Guarantor	n/a ($3.480M financed and guaranteed through NorCal Guaranty Program)	n/a ($3.480M financed and guaranteed through NorCal Guaranty Program)	No Change
Secured/Unsecured	Unsecured	Unsecured	No Change
Collateral	n/a	n/a	No Change
Interest Rate	WSJ Prime + 1.50% (Floor=8.0%)	WSJ Prime + 1.50% (Floor=8.25%)	Floor rate increased by 0.25%
Term	7 Years (loan renews annually based on meeting covenants)	6 Years Remaining (loan renews annually based on meeting covenants)	No Change
Prepayment Penalty	None	None	No Change
Loan Fee	0.5% with annual renewal fee of .25%	Annual renewal fee of 1%	Annual renewal fee increased from .25% to 1.0%
Minimum DSCR	1:1	1:1	1:1
$1.9M Term Loan | No Changes in Existing Summit Bank Term Loan 105000			
Loan Amount	$ 1,900,000	$ 1,900,000	No Change
Guarantor	n/a ($1.520M financed and guaranteed through NorCal Guaranty Program)	n/a ($1.520M financed and guaranteed through NorCal Guaranty Program)	No Change
Structure	5-year separate term loan	5-year separate term loan	No Change
Interest Rate	7.75%	7.75%	No Change
Minimum DSCR	1:1	1:1	No Change
Other			
Total Estimated Fees	$ 171,250	$ 106,000	Sole fees in renewal are 1% renewal fee + $1K documentation
Deposit Banking	Must transition/stay to Summit	Must transition/stay to Summit	No Change
LOAN FEE BREAKDOWN			
Loan Fee	$ 46,500	$ 105,000	
NorCal Guarantee Amount	$ 118,750	$ -	
Documentation Fee	$ 5,000	$ 1,000	
Documentation Fee - NorCal	$ 1,000	$ -	
Total Estimated Fees	**$ 171,250**	**$ 106,000**	

OPERATIONAL IMPACT

The increase from $5.5M to $10.5M provides the District with enhanced liquidity to manage cash flow timing differences and short-term funding needs, particularly around backfilling operational cash due to supplemental funding drawdowns and major vendor payments.

While the annual renewal fee increased to 1%, total closing costs declined from $171,000 to $106,000 due to the elimination of prior NorCal Guaranty fees that were specific to the setup of the program.

Including this proposed renewal, the District will retain the ability to renew this line up to five additional times over the remaining term, subject to annual review and compliance with financial covenants.

RECOMMENDATION

Management recommends that the Finance Committee formally recommend to the SVHCD Board of Directors, the approval of the renewal and expansion of the Summit State Bank Line of Credit as outlined above, authorizing the CFO/Interim CEO and one Board Officer to execute final loan documents upon completion of legal review.

ATTACHMENTS

- Summit State Bank / Sonoma Valley Healthcare District Line of Credit – Change in Terms Agreement

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ASSOCIATION RESOLUTION

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
$10,500,000.00	10-17-2025	11-01-2031	3650501202			JC	

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item.
Any item above containing "***" has been omitted due to text length limitations.

Association: **Sonoma Valley Health Care District**
347 Andrieux Street
Sonoma, CA 95476

Lender: **Summit State Bank**
Loan Operations Dept
500 Bicentennial Way
Santa Rosa, CA 95403

I, THE UNDERSIGNED, DO HEREBY CERTIFY THAT:

THE ASSOCIATION'S EXISTENCE. The complete and correct name of the Association is Sonoma Valley Health Care District ("Association"). The Association is a non-profit organization which is, and at all times shall be, duly organized, validly existing, and in good standing under and by virtue of the laws of the State of California. The Association is duly authorized to transact business in all other states in which the Association is doing business, having obtained all necessary filings, governmental licenses and approvals for each state in which the Association is doing business. Specifically, the Association is, and at all times shall be, duly qualified as a foreign association in all states in which the failure to so qualify would have a material adverse effect on its business or financial condition. The Association has the full power and authority to own its properties and to transact the business in which it is presently engaged or presently proposes to engage. The Association maintains its principal office at 347 Andrieux Street, Sonoma, CA 95476. Unless the Association has designated otherwise in writing, this is the principal office at which the Association keeps its books and records. The Association will notify Lender prior to any change in the location of the Association's state of organization or any change in the Association's name. The Association shall do all things necessary to preserve and to keep in full force and effect its existence, rights and privileges, and shall comply with all regulations, rules, ordinances, statutes, orders and decrees of any governmental or quasi-governmental authority or court applicable to the Association and the Association's business activities.

RESOLUTIONS ADOPTED. At a meeting of the officers of the Association, duly called and held on **October 6, 2025**, at which a quorum was present and voting, or by other duly authorized action in lieu of a meeting, the resolutions set forth in this Resolution were adopted.

OFFICERS. The following named persons are officers of Sonoma Valley Health Care District:

NAMES	TITLES	AUTHORIZED	ACTUAL SIGNATURES
Ben Armfield	**CFO/Interim CEO**	**Y**	**X** _____
Wendy Lee Myatt	**Board Director**	**Y**	**X** _____
Dennis Bloch	**Secretary**	**N**	

ACTIONS AUTHORIZED. Any two (2) of the authorized persons listed above may enter into any agreements of any nature with Lender, and those agreements will bind the Association. Specifically, but without limitation, any two (2) of such authorized persons are authorized, empowered, and directed to do the following for and on behalf of the Association:

Borrow Money. To borrow, as a cosigner or otherwise, from time to time from Lender, on such terms as may be agreed upon between the Association and Lender, such sum or sums of money as in their judgment should be borrowed, without limitation.

Execute Notes. To execute and deliver to Lender the promissory note or notes, or other evidence of the Association's credit accommodations, on Lender's forms, at such rates of interest and on such terms as may be agreed upon, evidencing the sums of money so borrowed or any of the Association's indebtedness to Lender, and also to execute and deliver to Lender one or more renewals, extensions, modifications, refinancings, consolidations, or substitutions for one or more of the notes, any portion of the notes, or any other evidence of credit accommodations.

Grant Security. To mortgage, pledge, transfer, endorse, hypothecate, or otherwise encumber and deliver to Lender any property now or hereafter belonging to the Association or in which the Association now or hereafter may have an interest, including without limitation all of the Association's real property and all of the Association's personal property (tangible or intangible), as security for the payment of any loans or credit accommodations so obtained, any promissory notes so executed (including any amendments to or modifications, renewals, and extensions of such promissory notes), or any other or further indebtedness of the Association to Lender at any time owing, however the same may be evidenced. Such property may be mortgaged, pledged, transferred, endorsed, hypothecated or encumbered at the time such loans are obtained or such indebtedness is incurred, or at any other time or times, and may be either in addition to or in lieu of any property theretofore mortgaged, pledged, transferred, endorsed, hypothecated or encumbered.

Execute Security Documents. To execute and deliver to Lender the forms of mortgage, deed of trust, pledge agreement, hypothecation agreement, and other security agreements and financing statements which Lender may require and which shall evidence the terms and conditions under and pursuant to which such liens and encumbrances, or any of them, are given; and also to execute and deliver to Lender any other written instruments, any chattel paper, or any other collateral, of any kind or nature, which Lender may deem necessary or proper in connection with or pertaining to the giving of the liens and encumbrances. Notwithstanding the foregoing, any one of the above authorized persons may execute, deliver, or record financing statements.

Negotiate Items. To draw, endorse, and discount with Lender all drafts, trade acceptances, promissory notes, or other evidences of indebtedness payable to or belonging to the Association or in which the Association may have an interest, and either to receive cash for the same or to cause such proceeds to be credited to the Association's account with Lender, or to cause such other disposition of the proceeds derived therefrom as they may deem advisable.

Further Acts. In the case of lines of credit, to designate additional or alternate individuals as being authorized to request advances under such lines, and in all cases, to do and perform such other acts and things, to pay any and all fees and costs, and to execute and deliver

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such other documents and agreements as the officers may in their discretion deem reasonably necessary or proper in order to carry into effect the provisions of this Resolution. The following person or persons are authorized, except as provided in this paragraph, to request advances and authorize payments under the line of credit until Lender receives from the Association, at Lender's address shown above, written notice of revocation of such authority: **Ben Armfield, CFO/Interim CEO of Sonoma Valley Health Care District. All advances subject to the Advance Restrictions and Repayment Requirements detailed below..**

ASSUMED BUSINESS NAMES. The Association has filed or recorded all documents or filings required by law relating to all assumed business names used by the Association. Excluding the name of the Association, the following is a complete list of all assumed business names under which the Association does business:

Assumed Business Name	Filing Location	Date
Sonoma Valley Hospital	**Not Filed**	**10-30-2024**

NOTICES TO LENDER. The Association will promptly notify Lender in writing at Lender's address shown above (or such other addresses as Lender may designate from time to time) prior to any (A) change in the Association's name; (B) change in the Association's assumed business name(s); (C) change in the structure of the Association; (D) change in the authorized signer(s); (E) change in the Association's principal office address; (F) change in the Association's state of organization; (G) conversion of the Association to a new or different type of business entity; or (H) change in any other aspect of the Association that directly or indirectly relates to any agreements between the Association and Lender. No change in the Association's name or state of organization will take effect until after Lender has received notice.

CERTIFICATION CONCERNING OFFICERS AND RESOLUTIONS. The officers named above are duly elected, appointed, or employed by or for the Association, as the case may be, and occupy the positions set opposite their respective names. This Resolution now stands of record on the books of the Association, is in full force and effect, and has not been modified or revoked in any manner whatsoever.

CONTINUING VALIDITY. Any and all acts authorized pursuant to this Resolution and performed prior to the passage of this Resolution are hereby ratified and approved. This Resolution shall be continuing, shall remain in full force and effect and Lender may rely on it until written notice of its revocation shall have been delivered to and received by Lender at Lender's address shown above (or such addresses as Lender may designate from time to time). Any such notice shall not affect any of the Association's agreements or commitments in effect at the time notice is given.

IN TESTIMONY WHEREOF, I have hereunto set my hand and attest that the signatures set opposite the names listed above are their genuine signatures.

I have read all the provisions of this Resolution, and I personally and on behalf of the Association certify that all statements and representations made in this Resolution are true and correct. This Association Resolution is dated October 17, 2025.

CERTIFIED TO AND ATTESTED BY:

X _____
Dennis Bloch, Secretary of Sonoma Valley Health Care District

NOTE: If the officers signing this Resolution are designated by the foregoing document as one of the officers authorized to act on the Association's behalf, it is advisable to have this Resolution signed by at least one non-authorized officer of the Association.

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CHANGE IN TERMS AGREEMENT

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
$10,500,000.00	10-17-2025	11-01-2031	3650501202			JC	

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item.
Any item above containing "***" has been omitted due to text length limitations.

Borrower: Sonoma Valley Health Care District
347 Andrieux Street
Sonoma, CA 95476

Lender: Summit State Bank
Loan Operations Dept
500 Bicentennial Way
Santa Rosa, CA 95403

Principal Amount: $10,500,000.00 **Date of Agreement: October 17, 2025**

DESCRIPTION OF EXISTING INDEBTEDNESS.
Promissory Note dated October 30, 2024 in the original principal amount of $5,500,000.00, from Borrower to Lender, together with all renewals of, extensions of, modifications of, refinancings of, consolidations of, and substitutions for the Promissory Note or Agreement.

DESCRIPTION OF COLLATERAL.
A security interest in certain assets of Borrower described in that certain Commercial Security Agreement dated October 30, 2024, and executed by Borrower in favor of Lender ("Security Agreement").

DESCRIPTION OF CHANGE IN TERMS.
John Hennelly is hereby removed as an authorized signer and is no longer authorized to request advances effective with this Agreement.

Ben Armfield, CFO and Interim CEO, is hereby added as an authorized signer and is authorized to request advances effective with this Agreement.

Wendy Lee Myatt, Board Director, is hereby added as an authorized signer.

The amount available under the line of credit evidenced by the Note is hereby increased from $5,500,000.00 to $10,500,000.00.

The paragraph below as stated in the original Promissory Note is being deleted in its entirety:
ANNUAL REVIEW. Annually, within sixty (60) days prior to the Note anniversary date, Lender to perform an annual review based on the financial requirements and covenants detailed in the Exhibit A of the related Business Loan Agreement. Upon completion of a satisfactory review, a fee of .25% of the Note amount will be due and payable by borrower. In the event the review is not satisfactory, Lender may terminate the line.
And is replaced with:
ANNUAL REVIEW. Annually, within sixty (60) days prior to the Note anniversary date, Lender to perform an annual review based on the financial requirements and covenants detailed in the Exhibit A of the related Business Loan Agreement. Upon completion of a satisfactory review, a fee of 1.00% of the Note amount will be due and payable by borrower. In the event the review is not satisfactory, Lender may terminate the line.

The paragraph below as stated in the Exhibit A to the related Business Loan Agreement is being deleted in its entirety:
Annually, within sixty (60) days prior to the Note anniversary date, Lender to perform an annual review based on the financial requirements detailed within this Exhibit A. Upon completion of a satisfactory review, a fee of .25% of the Note amount will be due and payable by borrower. In the event the review is not satisfactory, Lender may terminate the line.
And is replaced with:
Annually, within sixty (60) days prior to the original Note anniversary date, Lender to perform an annual review based on the financial requirements detailed within this Exhibit A. Upon completion of a satisfactory review, a fee of 1.00% of the Note amount will be due and payable by borrower. In the event the review is not satisfactory, Lender may terminate the line.

CONTINUING VALIDITY. Except as expressly changed by this Agreement, the terms of the original obligation or obligations, including all agreements evidenced or securing the obligation(s), remain unchanged and in full force and effect. Consent by Lender to this Agreement does not waive Lender's right to strict performance of the obligation(s) as changed, nor obligate Lender to make any future change in terms. Nothing in this Agreement will constitute a satisfaction of the obligation(s). It is the intention of Lender to retain as liable parties all makers and endorsers of the original obligation(s), including accommodation parties, unless a party is expressly released by Lender in writing. Any maker or endorser, including accommodation makers, will not be released by virtue of this Agreement. If any person who signed the original obligation does not sign this Agreement below, then all persons signing below acknowledge that this Agreement is given conditionally, based on the representation to Lender that the non-signing party consents to the changes and provisions of this Agreement or otherwise will not be released by it. This waiver applies not only to any initial extension, modification or release, but also to all such subsequent actions.

NO PROHIBITED ACTIVITIES. Borrower is not engaged in and none of the Collateral is created by or used in connection with any Prohibited Activities. Borrower shall not make any payments to Lender from funds derived from Prohibited Activities. Borrower agrees to indemnify defend, and hold harmless Lender against any and all claims, losses, liabilities, damages, penalties, and expenses which Lender may directly or indirectly sustain or suffer resulting from a breach of this section of the Agreement. Notwithstanding any provision in this Agreement or Related Documents to the contrary, no direct or indirect disclosure to Lender and no knowledge of Lender of the existence of any Prohibited Activities shall estop Lender or waive any right of Lender to invoke any remedy under the Agreement or any Related Documents for any Prohibited Activities.

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CHANGE IN TERMS AGREEMENT
(Continued)

PRIOR TO SIGNING THIS AGREEMENT, BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS AGREEMENT. BORROWER AGREES TO THE TERMS OF THE AGREEMENT.

CHANGE IN TERMS SIGNERS:

SONOMA VALLEY HEALTH CARE DISTRICT

By: _____
Ben Armfield, CFO/Interim CEO of Sonoma Valley Health Care District

By: _____
Wendy Lee Myatt, Board Director of Sonoma Valley Health Care District

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DISBURSEMENT REQUEST AND AUTHORIZATION

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
$10,500,000.00	10-17-2025	11-01-2031	3650501202			JC	

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Any item above containing "***" has been omitted due to text length limitations.

Borrower: Sonoma Valley Health Care District
347 Andrieux Street
Sonoma, CA 95476

Lender: Summit State Bank
Loan Operations Dept
500 Bicentennial Way
Santa Rosa, CA 95403

LOAN TYPE. This is a Variable Rate Nondisclosable Revolving Line of Credit Loan to an Unincorporated Association for $10,500,000.00 due on November 1, 2031.

PRIMARY PURPOSE OF LOAN. The primary purpose of this loan is for:

☐ **Personal, Family, or Household Purposes or Personal Investment.**

☒ **Business (Including Real Estate Investment).**

SPECIFIC PURPOSE. The specific purpose of this loan is: Increase limit of Revolving Line of Credit used for working capital.

DISBURSEMENT INSTRUCTIONS. Borrower understands that no loan proceeds will be disbursed until all of Lender's conditions for making the loan have been satisfied. Please disburse the loan proceeds of $10,500,000.00 as follows:

Other Disbursements:	$10,500,000.00
$10,500,000.00 Undisbursed Funds	
Note Principal:	$10,500,000.00

CHARGES PAID IN CASH. Borrower has paid or will pay in cash as agreed the following charges:

Prepaid Finance Charges Paid in Cash:	$0.00
Other Charges Paid in Cash:	$106,000.00
$105,000.00 Loan fee to Lender paid by Borrower from Account# ****62516	
$1,000.00 Documentation fee to Lender paid by Borrower from Account# ****62516	
Total Charges Paid in Cash:	$106,000.00

AUTOMATIC PAYMENTS. Borrower hereby authorizes Lender automatically to deduct from Borrower's Demand Deposit - Checking account, numbered 700062516, the amount of any loan payment. If the funds in the account are insufficient to cover any payment, Lender shall not be obligated to advance funds to cover the payment. At any time and for any reason, Borrower or Lender may voluntarily terminate Automatic Payments.

FINANCIAL CONDITION. BY SIGNING THIS AUTHORIZATION, BORROWER REPRESENTS AND WARRANTS TO LENDER THAT THE INFORMATION PROVIDED ABOVE IS TRUE AND CORRECT AND THAT THERE HAS BEEN NO MATERIAL ADVERSE CHANGE IN BORROWER'S FINANCIAL CONDITION AS DISCLOSED IN BORROWER'S MOST RECENT FINANCIAL STATEMENT TO LENDER. THIS AUTHORIZATION IS DATED OCTOBER 17, 2025.

BORROWER:

SONOMA VALLEY HEALTH CARE DISTRICT

By: _____
Ben Armfield, CFO/Interim CEO of Sonoma Valley Health Care District

By: _____
Wendy Lee Myatt, Board Director of Sonoma Valley Health Care District

Sonoma Valley Hospital
Rate Range IGT Program - CY24 (FY26)
All numbers are estimates

Rate Range CY 2024 (FY26)	Partnership	Kaiser	Totals
Hospital IGT (Expense - Matching Fee)	$ 7,475,970	$ 1,212,470	$ 8,688,440
Health Plan Fee (Expense - non-reimbursed)	*$ -*	*$ -*	*$ -*
DHCS 20% IGT Fee (Expense - non-reimbursed)	*$ 1,495,190*	*$ 242,490*	*$ 1,737,680*
Total Fees Paid	***$ 8,971,160***	***$ 1,454,960***	***$ 10,426,120***
Total Funds from MCP (Total Proceeds)	**$ 20,214,126**	**$ 2,643,464**	**$ 22,857,590**
Net Benefit	**$ 11,242,966**	**$ 1,188,504**	**$ 12,431,470**
Consulting Fee (2.5% of incremental net benefit)	*$ -*	*$ -*	*$ 310,790*
		Total Net Benefit (net of ALL Fees)	**$ 12,120,680**

Rate Range Net Benefit Comparison	CY2024 (FY26) ACTUAL	CY2024 (FY26) BUDGET	CY2023 (FY25) ACTUAL	CY2022 (FY24) ACTUAL
Total Net Benefit (net of ALL Fees)	**$ 12,120,680**	**$ 9,776,000**	**$ 6,900,000**	**$ 3,200,000**
Total Change | CY24 (FY26) ACTUAL vs.		$ 2,344,680	$ 5,220,680	$ 8,920,680
% Change | CY24 (FY26) ACTUAL vs.		24%	76%	279%

SONOMA VALLEY HOSPITAL
SONOMA VALLEY HEALTH CARE DISTRICT
HEALING HERE AT HOME

To: SVHCD Finance Committee
From: Ben Armfield, Chief Financial Officer
Date: October 28th, 2025
Subject: Strategic Plan Update - Defer

We had originally planned to bring forward an update on the District's Strategic Plan for discussion at an upcoming Finance Committee meeting. Given the leadership transition underway and the onboarding of our new CEO, we're recommending that we defer this item until later in calendar year 2026.

As we move into the first part of 2026, one of our top priorities will be to refresh and update the District's Strategic Plan. This will be an important opportunity to work with the new CEO, the Board, and our leadership team to define updated strategic priorities - focused on continued growth, financial stabilization, and strengthening our core services.

We'll keep the Committee informed as this work begins, and plan to bring a formal update and outline of the process to the Committee once the new leadership team is in place and initial planning is underway.

SONOMA VALLEY HOSPITAL
SONOMA VALLEY HEALTH CARE DISTRICT
HEALING HERE AT HOME

To: SVHCD Finance Committee
From: Ben Armfield, Chief Financial Officer
Date: October 28th, 2025
Subject: Balance Sheet Review

OVERVIEW

This Balance Sheet Review provides a detailed overview of the hospital's balance sheet, key ratios, and an overall assessment of financial health. An attachment is included with this report, showing the detailed Balance Sheet for month-end September 2025, with expanded line-item descriptions outlining what is captured within each balance sheet category.

ASSET/LIABILITY SUMMARY

As of September 30, 2025, total assets were $110.5 million, up from $79.6 million at FY25 year-end, primarily reflecting the addition of FY26 IGT program receivables and deferred tax revenues. Total liabilities rose to $67.3 million (from $39.2 million), largely due to deferred IGT and parcel tax revenues that will be recognized throughout the year. Fund balance improved to $43.1 million, compared to $40.5 million at FY25 year-end, signaling continued stability in the hospital's financial position.

CHANGES IN ASSETS AND LIABILITIES

The year-over-year increase in both assets and liabilities is primarily tied to the Rate Range IGT program, which is now recorded as both an asset (receivable for expected proceeds) and a liability (matching fee payable). The hospital also began recognizing deferred revenues and expenses on the balance sheet, aligning with monthly accruals on the income statement. These updates provide clearer visibility into the timing of supplemental funding activity and result in higher reported balances compared to FY25 year-end.

TIMING CONSIDERATIONS AND COST

Because supplemental and IGT payments occur in large, uneven tranches during the first half of the fiscal year, early balance sheet figures can appear skewed. As of September month-end, cash on hand was just under $3 million, but this is projected to exceed $10 million by January once IGT receipts are realized. By year-end, cash is expected to normalize near $5.6 million, or roughly 35 days cash on hand, once these timing impacts are balanced out.

IMPROVING HEALTH

As discussed during the Debt Profile Review at the August Finance Committee meeting, significant work has been done to de-risk the hospital's debt portfolio and strengthen its overall financial position. SVH now operates with a leaner, more predictable debt structure that enhances flexibility, reduces interest exposure, and supports long-term balance sheet sustainability.

KEY RATIOS AND FINANCIAL INDICATORS

At FY25 year-end, the hospital's key financial and operational ratios demonstrated marked improvement:

- **Debt Service Coverage Ratio (DSCR):** Improved to **1.42×**, up from **0.30×** in FY24, underscoring stronger cash flow and debt service capacity.
- **Debt to Capitalization Ratio:** Declined to **37%** (from **42%**)

- **Days in Accounts Receivable:** Improved to **45 days**, a **20% reduction** from FY24, reflecting improved revenue cycle performance and timely cash conversion.

ATTACHMENTS:

- Sonoma Valley Hospital Balance Sheet September 2025 (with added detail)

Sonoma Valley Hospital- Balance Sheet Review

		Current Month	Prior Month	FYE 2025 Prior Year	Prior Year
	Assets				
	Current Assets:				
1	Cash	$ 2,723.3	$ 2,644.2	$ 4,386.3	All checking account, sweep accounts, and CDs
2	Net Patient Receivables	7,729.5	7,924.8	7,585.1	EPIC patient receivables, clinic receivables, net of contractual amounts
3	Allow Uncollect Accts	(1,462.6)	(1,233.4)	(1,256.1)	Bad debt allowance and charity care
4	Net Accounts Receivable	$ 6,266.9	$ 6,691.4	$ 6,329.0	
5	IGT Program Receivable	19,844.3	$ 19,844.3		Estimated amount to be received from IGT programs for FY
6	Parcel Tax Receivable	3,800.0	3,800.0	-	Projected parcel tax amounts to be paid
7	GO Bond Tax Receivable	3,344.0	3,344.0	-	Projected GO Bond for FY 26
8	Other Receivables	432.4	793.3	951.7	Misc third-party receivables
9	Inventory	942.5	956.4	841.0	Pharmacy, surgical supplies, lab inventory
10	Prepaid Expenses	1,329.3	1,519.6	788.1	Insurance, service contracts, deposits, prepaid loan fees
11	Total Current Assets	$ 38,682.8	$ 39,593.2	$ 13,296.2	
12	Property,Plant & Equip, Net	$ 61,200.5	$ 61,310.4	$ 60,342.6	
13	Trustee Funds - GO Bonds	3,469.5	5,986.7	5,986.7	Restricted GO bond investment account
14	Other Assets - Deferred IGT Expense	7,103.3	7,892.9	-	Deferred IGT Expense
15	**Total Assets**	**$ 110,456.0**	**$ 114,783.1**	**$ 79,625.5**	
	Liabilities & Fund Balances				
	Current Liabilities:				
16	Accounts Payable	7,827.8	$ 7,547.4	$ 6,810.4	Trade AP, PO clearing, misc AP items, month-end AP accrual
17	Accrued Compensation	4,639.2	4,468.0	4,059.9	Accrued payroll, PTO, federal, state and social security taxes
18	IGT Program Payable	9,472.1	9,472.1	-	IGT amount to be paid for FY26
19	Interest Payable - GO Bonds	34.2	223.3	154.4	Go Bond and GASB 96 interest payable
20	Accrued Expenses	261.5	244.2	166.1	Accrued expenses for management fees, agency, health insurance
21	Deferred IGT Revenue	14,883.2	16,536.9	-	FY26 IGT revenue that is being amortized
22	Deferred Parcel Tax Revenue	2,850.0	3,166.7	-	FY26 parcel tax revenue that is being amortized
23	Deferred GO Bond Tax Revenue	2,395.3	2,596.0	-	FY26 GO Bond tax revenue that is being amortized
24	Current Maturities-LTD	740.0	740.0	740.0	Current portion of term loan and Help II loan
25	Line of Credit - Summit Bank	-	-	-	Outstanding balance on L:ine o Credit
26	Other Liabilities	-	-	-	
27	Total Current Liabilities	$ 43,103.3	$ 44,994.5	$ 11,930.8	
28	Long Term Debt, net current portion	$ 24,219.8	$ 26,950.4	$ 27,239.3	GO Bond, Summit State Bank term loan, capital lease obligations, distressed loan, Help II Loan
29	Total Fund Balance	$ 43,132.8	$ 42,838.1	$ 40,455.4	
30	**Total Liabilities & Fund Balances**	**$ 110,456.0**	**$ 114,783.1**	**$ 79,625.5**	

Cash Indicators	Current Month	Prior Month	Prior Year FYE
Days Cash	17.5	17.0	29.2
A/R Days	41.4	47.0	45.8
A/P Days	75.2	72.5	67.2

SONOMA VALLEY HOSPITAL
SONOMA VALLEY HEALTH CARE DISTRICT
HEALING HERE AT HOME

To: SVHCD Finance Committee
From: Ben Armfield, Chief Financial Officer
Date: October 28th, 2025
Subject: Financial Report for September 2025

OVERALL PERFORMANCE SUMMARY | MONTH OF SEPTEMBER 2025

- **Operating EBDA** (with Parcel Taxes) – September marked another strong operational month, with the hospital posting a positive Operating EBDA of **$362,000**, compared to a **budgeted $206,000**. Although this represents a modest dip from the prior two months, it remains well above budget and reflects another solid performance for the hospital.
- **Operating Revenues** – **$6.74 million,** exceeding budget by **11%** or **$647,000**. September represented a very strong revenue month for the hospital, continuing the momentum established over the summer. Gross charges approached $34 million, coming in nearly 20% above budget, underscoring the breadth of activity across multiple service lines.

  While inpatient volumes remained somewhat soft, the hospital experienced robust growth across outpatient, surgical, and emergency services, which more than offset the inpatient shortfall. Outpatient activity once again served as the primary driver of growth, led by record-breaking MRI volumes, strong gains in procedural areas, and sustained growth in ancillary imaging.
- **Operating Expenses** - **$6.38 Million**, exceeding budget by **8%** or **$491,000**. The increase was largely attributable to people costs (salaries and benefits), which ran an unusual 15% over budget. The hospital operated 5% over budgeted FTEs, reflecting necessary staffing increases to support higher-than-planned volumes, particularly in the Emergency Department. Benefit expenses also spiked due to a catch-up of medical claims processed through the captive, which added temporary upward pressure to total costs in September.

Through the first quarter of fiscal year 2026, we are +11% vs. budget in operating revenue, and +5% vs. budget when looking at operating expenses.

- **Cash** – September was a banner month for cash collections, as the hospital exceeded its monthly goal ($4.3 million) for the third straight month by collecting just under $5 million ($4.9M). Certainly encouraging as we reached a new level in what we are bringing in every month. While cash collections remain strong, overall cash on hand continues to trend lower - this is planned and anticipated. This decline reflects normal seasonality and timing differences prior to the arrival of Rate Range IGT funding in January. As mentioned, we will manage carefully through this temporary window. January will offer cash relief, but it will certainly be tight between now and when IGT monies arrive. All of that said, our cash position remains controlled and consistent with projections.

Overall Performance (In 1000s, Includes Parcel Taxes) | September 2025

	Current Month				Year-To- Date						
	Actual	Budget	Var	%	Actual	Budget	Var	%	PY Actual	Var	%
Operating Margin	$ (146.6)	$ (307.0)	$ 160.4	52%	$ (116.3)	$ (1,068.1)	$ 951.8	89%	$ (889.9)	$ 773.6	87%
Operating EBDA	$ 362.5	$ 206.3	$ 156.1	76%	$ 1,404.3	$ 521.9	$ 882.3	169%	$ 726.7	$ 677.6	93%
Net Income (Loss)	$ 80.9	$ (151.1)	$ 232.1	154%	$ 677.4	$ (600.5)	$ 1,277.8	213%	$ (352.1)	$ 1,029.4	292%

DRIVERS IN MONTHLY PERFORMANCE

Volumes continue to trend upward, particularly across the outpatient setting. While inpatient activity was soft, growth across other key service areas produced a banner volume month for SVH, reinforcing the strong operational footing established in recent quarters.

Emergency Room volumes remain an area of growth. 975 visits in September – an average of 32.5 per day. Through the first quarter of FY26, SVH is averaging over **33 visits per day**, which is nearly a **30% increase** from FY23 levels (see table below). That is a remarkable increase and a clear reflection of the positive momentum in this service line. Notably, since the start of this calendar year, the hospital has met or exceeded the 30-visit-per-day target every month except March (29.8/day). Both the internal SVH team and our emergency medicine physician partners deserve great credit for this turnaround. Their focus on quality, service, and patient experience has helped rebuild community confidence in the exceptional care provided in our ER. We expect this momentum to continue.

ER Visits / Day	FY 2026*	FY 2025	FY 2024	FY 2023
Visits Per Day	**33.3**	30.9	28.1	26.4
YoY Chg - FY26 vs.		8%	18%	26%

* Through September 2025

Surgical volumes once again exceeded budget (+15%), continuing the steady upward trend seen throughout the summer. **Orthopedics and GI** remain the leading drivers of case volume, reflecting ongoing strength in two of our core service lines.

Outpatient activity continued its impressive trajectory, with approximately **6,200 outpatient visits** (recorded excluding ER and outpatient surgery) - **10% above budget**. This sustained growth demonstrates the broad reach of SVH's outpatient programs, the effectiveness of recent expansions (MRI, CT), and opportunities that exist in programs that are about to expand further - such as Physical Therapy.

MRI volumes set a new all-time high in September, reaching 250 exams. This milestone follows previous records of 230 in July, briefly interrupted by a temporary dip in August related to staffing shortages. With September's rebound, it's clear that SVH has reached a higher sustained plateau of demand in advanced imaging**.**

We've been intentional about expanding outreach and marketing efforts, and those investments are paying off. Referral growth continues not only from Sonoma Valley providers but also from the broader North Bay region - evidence of SVH's expanding clinical reach and reputation. This growth directly corresponds with an expanding base of referring providers, including many new sources to SVH. Notably, we have now received MRI referrals from **over 30 different UCSF physicians** across the greater Bay Area - a clear sign of SVH's increasing visibility and trust among regional providers. These results reflect the success of our focused outreach and marketing efforts, which continue to strengthen our clinical partnerships and expand our footprint beyond Sonoma Valley. It's encouraging momentum that we expect to continue building upon in the months ahead.

OTHER HOSPITAL UPDATES:

A lot going on at the hospital over the past couple of months. Some key updates to share with the committee:

Chief Executive Officer Search – You probably have heard the news that the District has found a new leader to lead Sonoma Valley Hospital. We are thrilled to welcome Kelley Kaiser as the hospital's new CEO. Kelley comes to us with over 25 years of leadership experience across Samaritan Health Services and Plans and Inter-

Community Health Plans in Corvallis, Oregon. Most recently, she served as Chief Administrative Officer at Samaritan Health Services, where she led the execution of a system-wide strategic plan and provided operational leadership across multiple administrative and clinical support areas.

We are very excited to have Kelley join the team here. She plans on starting here at SVH in the first week of November, so you will all be getting to know her very soon.

Chief Medical Officer - We are also incredibly excited to welcome our new Chief Medical Officer, Dr. Patrick Okolo. He officially started at SVH on October 6th. Dr. Okolo is joining us from Rochester Regional Health in New York, where he served as Executive Medical Director and System Chief of Gastroenterology. He will spend the first six months here as a full-time CMO, and will then transition to a hybrid position, spending half of his time as the hospital's CMO and the other half operating as a GI physician in Sonoma Valley out of our 1206(b) clinic.

Hospital Recognized for Clinical Excellence in Stroke Care - We were informed by the American Heart Association that Sonoma Valley Hospital was awarded with the **2025 Get With The Guidelines Stroke Award**. This is a national quality achievement award recognizing hospitals for dedication and commitment to ensuring stroke patients receive the most appropriate treatment according to nationally recognized, research-based guidelines. We take great pride in this recognition and we are grateful for all of the work and dedication involved in making this happen.

CAPITAL PROJECT UPDATES:

Outpatient Diagnostic Center (ODC)

We are now in the final phase of the project, which is to pursue permanent occupancy of the MRI trailer in its current location. This phase will also include necessary sidewalk and driveway improvements. We are currently working with the City of Sonoma to finalize the remaining scope of work related to the potential sidewalk/driveway improvements that may need to get addressed prior to achieving permanent occupancy.

We plan on bringing a formal proposal to the board upon final City review that includes the scope of work and additional cost needed to close out this phase of the project.

Upon completion of this phase, this space will achieve permanent occupancy. Once we have achieved permanent occupancy, we will then focus on the second and last phase of this project, which is the 'beautification' of the current space. This work would include any building or land improvements, such as constructing a canopy with a path from the hospital building to the MRI trailer and any other work to make the location more functional and appealing.

There have been no changes in our estimations of total project cost; we still anticipate completing the ODC project for no more than $24 million.

Physical Therapy Expansion Project

Construction on the PT Expansion project was completed a couple of months ago, and the team has spent the last couple of weeks furnishing finishing touches on the interior of the space.

We have been working with CDPH since August to receive necessary approval and permitting. We are very happy to report that we finally have a scheduled date for CDPH to come out and perform a licensing survey

on October 29th. This is the last remaining step in order to going live with the expansion, and if all goes well and according to plan, we anticipate receiving full occupancy within the first two weeks of November.

This project, which has been 100% funded through philanthropic donations, will finish under the $2.3 million project budget.

AC-1 Replacement Project

The AC-1 project is now currently being evaluated for potential repair by an alternative vendor, instead of a full-blown replacement. The original vendor explored fabricating the failed components of the unit through three different sources but concluded it was not feasible - recommending instead a full bypass with new equipment. After further internal review it was determined that this solution would indeed require an HCAI project, and refined cost estimations projected a project cost in excess of $700,000.

In an effort to look at alternative approaches, our project management team engaged a reputable third-party to review this initial assessment with the hope of getting a second opinion on best path forward.

The newly engaged vendor, who has prior experience with this specific unit, conducted additional research and confirmed that fabrication of the failed parts is indeed viable. They have provided a repair proposal, which is currently being reviewed and validated by a third-party mechanical expert. The hospital will look to proceed with this repair approach, and will bring forward the proposal to both the finance committee and board for approval once validated. Total costs of this repair are expected to remain within the $250,000 previously approved by the Board in May.

FINANCE REPORT ATTACHMENTS:

- Attachment A Income Statement
- Attachment B Balance Sheet
- Attachment C Cash Flow Forecast
- Attachment D Key Performance Indicators | Volumes & Statistics
- Attachment E Key Performance Indicators | Overall Performance

Sonoma Valley Hospital - Balance Sheet Review

		Current Month	Prior Month	FYE 2025 Prior Year	Prior Year
	Assets				
	Current Assets:				
1	Cash	$ 2,723.3	$ 2,644.2	$ 4,386.3	All checking account, sweep accounts, and CDs
2	Net Patient Receivables	7,729.5	7,924.8	7,585.1	EPIC patient receivables, clinic receivables, net of contractual amounts
3	Allow Uncollect Accts	(1,462.6)	(1,233.4)	(1,256.1)	Bad debt allowance and charity care
4	Net Accounts Receivable	$ 6,266.9	$ 6,691.4	$ 6,329.0	
5	IGT Program Receivable	19,844.3	$ 19,844.3		Estimated amount to be received from IGT programs for FY
6	Parcel Tax Receivable	3,800.0	3,800.0	-	Projected parcel tax amounts to be paid
7	GO Bond Tax Receivable	3,344.0	3,344.0	-	Projected GO Bond for FY 26
8	Other Receivables	432.4	793.3	951.7	Misc third-party receivables
9	Inventory	942.5	956.4	841.0	Pharmacy, surgical supplies, lab inventory
10	Prepaid Expenses	1,329.3	1,519.6	788.1	Insurance, service contracts, deposits, prepaid loan fees
11	Total Current Assets	$ 38,682.8	$ 39,593.2	$ 13,296.2	
12	Property,Plant & Equip, Net	$ 61,200.5	$ 61,310.4	$ 60,342.6	
13	Trustee Funds - GO Bonds	3,469.5	5,986.7	5,986.7	Restricted GO bond investment account
14	Other Assets - Deferred IGT Expense	7,103.3	7,892.9	-	Deferred IGT Expense
15	**Total Assets**	**$ 110,456.0**	**$ 114,783.1**	**$ 79,625.5**	
	Liabilities & Fund Balances				
	Current Liabilities:				
16	Accounts Payable	7,827.8	$ 7,547.4	$ 6,810.4	Trade AP, PO clearing, misc AP items, month-end AP accrual
17	Accrued Compensation	4,639.2	4,468.0	4,059.9	Accrued payroll, PTO, federal, state and social security taxes
18	IGT Program Payable	9,472.1	9,472.1	-	IGT amount to be paid for FY26
19	Interest Payable - GO Bonds	34.2	223.3	154.4	Go Bond and GASB 96 interest payable
20	Accrued Expenses	261.5	244.2	166.1	Accrued expenses for management fees, agency, health insurance
21	Deferred IGT Revenue	14,883.2	16,536.9	-	FY26 IGT revenue that is being amortized
22	Deferred Parcel Tax Revenue	2,850.0	3,166.7	-	FY26 parcel tax revenue that is being amortized
23	Deferred GO Bond Tax Revenue	2,395.3	2,596.0	-	FY26 GO Bond tax revenue that is being amortized
24	Current Maturities-LTD	740.0	740.0	740.0	Current portion of term loan and Help II loan
25	Line of Credit - Summit Bank	-	-	-	Outstanding balance on L:ine o Credit
26	Other Liabilities	-	-	-	
27	Total Current Liabilities	$ 43,103.3	$ 44,994.5	$ 11,930.8	
28	Long Term Debt, net current portion	$ 24,219.8	$ 26,950.4	$ 27,239.3	GO Bond, Summit State Bank term loan, capital lease obligations, distressed loan, Help II Loan
29	Total Fund Balance	$ 43,132.8	$ 42,838.1	$ 40,455.4	
30	**Total Liabilities & Fund Balances**	**$ 110,456.0**	**$ 114,783.1**	**$ 79,625.5**	

Cash Indicators	Current Month	Prior Month	Prior Year FYE
Days Cash	17.5	17.0	29.2
A/R Days	41.4	47.0	45.8
A/P Days	75.2	72.5	67.2

Sonoma Valley Health Care District
Income Statement (in 1000s)
For the Period Ended September 30, 2025

ATTACHMENT A

		Month				Year-To- Date						
Revenues		**CYM Actual**	**CYM Budget**	**Var**	**%**	**YTD Actual**	**YTD Budget**	**Var**	**%**	**PYTD Actual**	**Var**	**%**
1	Net Patient Revenue	$ 4,664.2	$ 4,021.4	642.9	16%	$ 13,936.8	$ 12,064.1	1,872.8	16%	$ 12,501.3	1,435.5	11%
2	IGT Program Revenue	1,653.7	1,653.7	-	0%	4,961.1	4,961.1	-	0%	2,614.6	2,346.4	90%
3	Parcel Tax Revenue	316.7	316.7	-	0%	950.0	950.0	(0.0)	0%	950.0	(0.0)	0%
4	Other Operating Revenue	103.8	99.9	4.0	4%	297.7	299.6	(2.0)	-1%	292.9	4.8	2%
5	**Total Revenue**	**$ 6,738.4**	**$ 6,091.6**	**646.8**	**11%**	**$ 20,145.6**	**$ 18,274.8**	**1,870.8**	**10%**	**$ 16,358.8**	**3,786.7**	**23%**
Operating Expenses		**CYM Actual**	**CYM Budget**	**Var**	**%**	**YTD Actual**	**YTD Budget**	**Var**	**%**	**PYTD Actual**	**Var**	**%**
6	Labor / Total People Cost	$ 3,378.0	$ 2,948.8	429.2	15%	$ 9,722.5	$ 8,926.5	796.0	9%	$ 8,511.1	1,211.3	14%
7	Professional Fees	572.9	634.7	(61.8)	-10%	1,887.6	1,963.3	(75.7)	-4%	1,968.9	(81.2)	-4%
8	Supplies	742.1	668.0	74.1	11%	2,169.1	2,011.2	157.9	8%	1,611.0	558.1	35%
9	Purchased Services	484.9	434.0	50.9	12%	1,300.6	1,252.1	48.5	4%	1,184.5	116.1	10%
10	Depreciation	509.1	513.3	(4.3)	-1%	1,520.6	1,590.0	(69.4)	-4%	1,616.7	(96.1)	-6%
11	Interest	25.4	36.6	(11.2)	-31%	100.2	109.7	(9.4)	-9%	55.8	44.4	80%
12	Other	408.0	398.5	9.4	2%	1,267.4	1,196.2	71.2	6%	1,205.2	62.2	5%
13	IGT Program Expense	764.6	764.6	-	0%	2,293.9	2,293.9	-	0%	1,095.6	1,198.3	109%
14	**Operating Expenses**	**$ 6,885.0**	**$ 6,398.6**	**486.4**	**7.6%**	**$ 20,261.9**	**$ 19,342.9**	**919.0**	**4.8%**	**$ 17,248.8**	**3,013.1**	**17%**
15	**Operating Margin**	**$ (146.6)**	**$ (307.0)**	**$ 160.4**	**52%**	**$ (116.3)**	**$ (1,068.1)**	**$ 951.8**	**89%**	**$ (889.9)**	**$ 773.6**	**87%**
Non Operating Income		**CYM Actual**	**CYM Budget**	**Var**	**%**	**YTD Actual**	**YTD Budget**	**Var**	**%**	**PYTD Actual**	**Var**	**%**
16	GO Bond Activity, Net	164.7	128.6	36.1	28%	610.2	385.9	224.3	58%	478.2	132.0	28%
17	Misc Revenue/(Expenses)	62.8	27.2	35.6	131%	183.5	81.7	101.8	125%	59.7	123.8	208%
18	**Total Non-Op Income**	**$ 227.5**	**$ 155.9**	**71.7**	**46%**	**$ 793.7**	**$ 467.6**	**326.1**	**70%**	**$ 537.9**	**255.8**	**48%**
19	**Net Income (Loss)**	**$ 80.9**	**$ (151.1)**	**232.1**	**154%**	**$ 677.4**	**$ (600.5)**	**1,277.8**	**213%**	**$ (352.1)**	**1,029.4**	**292%**
20	Restricted Foundation Contr.	213.8	125.0	88.8	71%	1,523.2	375.0	1,148.2	306%	1,230.1	293.0	24%
21	**Change in Net Position**	**$ 294.7**	**$ (26.1)**	**320.8**	**1228%**	**$ 2,200.5**	**$ (225.5)**	**2,426.0**	**1076%**	**$ 878.0**	**1,322.5**	**151%**
22	**Operating EBDA**	**$ 362.5**	**$ 206.3**	**156.1**	**76%**	**$ 1,404.3**	**$ 521.9**	**882.3**	**169%**	**$ 726.7**	**677.6**	**93%**

Sonoma Valley Health Care District **ATTACHMENT B**

Balance Sheet
As of September 30, 2025
Expressed in 1,000s

		Current Month	Prior Month	FYE 2025 Prior Year
	Assets			
	Current Assets:			
1	Cash	$ 2,723.3	$ 2,644.2	$ 4,386.3
2	Net Patient Receivables	7,729.5	7,924.8	7,585.1
3	Allow Uncollect Accts	(1,462.6)	(1,233.4)	(1,256.1)
4	Net Accounts Receivable	$ 6,266.9	$ 6,691.4	$ 6,329.0
5	IGT Program Receivable	19,844.3	19,844.3	-
6	Parcel Tax Receivable	3,800.0	3,800.0	-
7	GO Bond Tax Receivable	3,344.0	3,344.0	-
8	Other Receivables	432.4	793.3	951.7
9	Inventory	942.5	956.4	841.0
10	Prepaid Expenses	1,329.3	1,519.6	788.1
11	Total Current Assets	$ 38,682.8	$ 39,593.2	$ 13,296.2
12	Property,Plant & Equip, Net	$ 61,200.5	$ 61,310.4	$ 60,342.6
13	Trustee Funds - GO Bonds	3,469.5	5,986.7	5,986.7
14	Other Assets - Deferred IGT Expense	7,103.3	7,892.9	-
15	**Total Assets**	**$ 110,456.0**	**$ 114,783.1**	**$ 79,625.5**
	Liabilities & Fund Balances			
	Current Liabilities:			
16	Accounts Payable	7,827.8	$ 7,547.4	$ 6,810.4
17	Accrued Compensation	4,639.2	4,468.0	4,059.9
18	IGT Program Payable	9,472.1	9,472.1	-
19	Interest Payable - GO Bonds	34.2	223.3	154.4
20	Accrued Expenses	261.5	244.2	166.1
21	Deferred IGT Revenue	14,883.2	16,536.9	-
22	Deferred Parcel Tax Revenue	2,850.0	3,166.7	-
23	Deferred GO Bond Tax Revenue	2,395.3	2,596.0	-
24	Current Maturities-LTD	740.0	740.0	740.0
25	Line of Credit - Summit Bank	-	-	-
26	Other Liabilities	-	-	-
27	Total Current Liabilities	$ 43,103.3	$ 44,994.5	$ 11,930.8
28	Long Term Debt, net current portion	$ 24,219.8	$ 26,950.4	$ 27,239.3
29	Total Fund Balance	$ 43,132.8	$ 42,838.1	$ 40,455.4
30	**Total Liabilities & Fund Balances**	**$ 110,456.0**	**$ 114,783.1**	**$ 79,625.5**

Cash Indicators	Current Month	Prior Month	Prior Year FYE
Days Cash	17.5	17.0	29.2
A/R Days	41.4	47.0	45.8
A/P Days	75.2	72.5	67.2

Sonoma Valley Health Care District **ATTACHMENT C**

Projected Cash Forecast (In 1000s)

	FY 2026	*ACTUAL* **July**	*ACTUAL* **Aug**	*ACTUAL* **Sept**	*Forecast* **Oct**	*Forecast* **Nov**	*Forecast* **Dec**	*Forecast* **Jan**	*Forecast* **Feb**	*Forecast* **Mar**	*Forecast* **Apr**	*Forecast* **May**	*Forecast* **Jun**	**TOTAL**
	Hospital Operating Sources													
1	Patient Payments Collected	$ 4,683.2	$ 4,292.8	$ 4,956.9	$ 4,300.0	$ 4,400.0	$ 4,200.0	$ 4,373.0	$ 4,100.0	$ 4,400.0	$ 4,300.0	$ 4,300.0	$ 4,357.0	$ 52,662.9
2	Other Revenue - Operating & Non-Op	182.5	104.0	101.6	105.0	105.0	105.0	105.0	105.0	105.0	105.0	105.0	105.0	1,333.2
3	IGT Program Revenue	-	-	-	-	-	574.2	22,857.6	-	0.9	-	-	1,000.1	24,432.8
4	Parcel Tax Revenue	110.9	-	-	-	-	1,800.0	-	-	-	1,864.1	-	-	3,775.0
5	Unrestricted Contributions	4.0	-	-	-	-	-	-	-	-	-	-	-	4.0
6	**Sub-Total Hospital Sources**	**$ 4,980.6**	**$ 4,396.8**	**$ 5,058.5**	**$ 4,405.0**	**$ 4,505.0**	**$ 6,679.2**	**$ 27,335.6**	**$ 4,205.0**	**$ 4,505.9**	**$ 6,269.1**	**$ 4,405.0**	**$ 5,462.1**	**$ 82,207.8**
	Hospital Uses of Cash													
7	Operating Expenses / AP Payments	$ 5,649.7	$ 4,948.5	$ 4,975.3	$ 5,200.0	$ 4,900.0	$ 4,900.0	$ 7,810.8	$ 5,800.0	$ 5,250.0	$ 5,500.0	$ 5,900.0	$ 5,200.0	$ 66,034.3
8	Term Loan Paydowns - Summit / CHFFA	73.6	73.6	73.6	73.6	73.6	73.6	73.6	73.6	73.6	73.6	73.6	73.6	882.9
9	IGT Financing Interest	-	-	-	-	75.0	90.0	75.0	-	-	-	-	-	240.0
10	IGT Matching Fee Payments	-	228.5	-	-	10,426.1	-	-	-	293.5	-	87.7	-	11,035.9
11	Capital Expenditures - SVH Funded	145.6	-	11.3	200.0	50.0	144.9	166.7	723.8	344.5	344.5	244.5	244.5	2,620.3
12	Capital Expenditures - Foundation Funded	876.5	468.8	133.8	245.0	-	-	-	-	-	-	-	-	1,724.1
13	**Total Hospital Uses**	**$ 6,745.4**	**$ 5,719.5**	**$ 5,194.0**	**$ 5,718.6**	**$ 15,524.7**	**$ 5,208.5**	**$ 8,126.0**	**$ 6,597.3**	**$ 5,961.6**	**$ 5,918.1**	**$ 6,305.8**	**$ 5,518.1**	**$ 82,537.5**
	Net Hospital Sources/Uses of Cash	**$ (1,764.7)**	**$ (1,322.7)**	**$ (135.5)**	**$ (1,313.6)**	**$ (11,019.7)**	**$ 1,470.8**	**$ 19,209.6**	**$ (2,392.3)**	**$ (1,455.8)**	**$ 351.0**	**$ (1,900.8)**	**$ (56.0)**	**$ (329.7)**
	Non-Hospital Sources													
14	Restricted Donations (rec'd from Foundation)	806.7	538.6	214.6	-	-	-	-	-	-	-	-	-	1,559.9
15	Line of Credit Draw - Summit Bank	-	-	-	-	5,400.0	-	-	-	-	-	-	-	5,400.0
16	Line of Credit Draw - New Bank	-	-	-	-	5,100.0	-	-	-	-	-	-	-	5,100.0
17	**Sub-Total Non-Hospital Sources**	**$ 806.7**	**$ 538.6**	**$ 214.6**	**$ -**	**$ 10,500.0**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 12,059.9**
	Non-Hospital Uses of Cash													
18	Line of Credit Payoff - US Bank LOC	-	-	-	-	-	-	5,400.0	-	-	-	-	-	5,400.0
19	Line of Credit Repayment - New LOC	-	-	-	-	-	-	5,100.0	-	-	-	-	-	5,100.0
20	**Sub-Total Non-Hospital Uses of Cash**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 10,500.0**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 10,500.0**
21	**Net Non-Hospital Sources/Uses of Cash**	**$ 806.7**	**$ 538.6**	**$ 214.6**	**$ -**	**$ 10,500.0**	**$ -**	**$ (10,500.0)**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 1,559.9**
22	**Net Sources/Uses**	**$ (958.0)**	**$ (784.1)**	**$ 79.1**	**$ (1,313.6)**	**$ (519.7)**	**$ 1,470.8**	**$ 8,709.6**	**$ (2,392.3)**	**$ (1,455.8)**	**$ 351.0**	**$ (1,900.8)**	**$ (56.0)**	**$ 1,230.2**
23	Total Cash at beginning of period	$ 4,386.3	$ 3,428.3	$ 2,644.2	$ 2,723.3	$ 1,409.8	$ 890.1	$ 2,360.8	$ 11,070.4	$ 8,678.1	$ 7,222.3	$ 7,573.3	$ 5,672.5	
24	**Total Cash at End of Period**	**$ 3,428.3**	**$ 2,644.2**	**$ 2,723.3**	**$ 1,409.8**	**$ 890.1**	**$ 2,360.8**	**$ 11,070.4**	**$ 8,678.1**	**$ 7,222.3**	**$ 7,573.3**	**$ 5,672.5**	**$ 5,616.6**	
25	**Days of Cash on Hand at End of Month**	**22.0**	**17.0**	**17.5**	**9.0**	**5.7**	**15.1**	**71.0**	**55.6**	**46.3**	**48.5**	**36.4**	**36.0**	

Sonoma Valley Health Care District **ATTACHMENT D**

Key Performance Indicators | Volumes & Statistics

For the Period Ended September 30, 2025

	Current Month				Year-To- Date						
	Actual	Budget	Var	%	YTD Actual	YTD Budget	Var	%	PYTD Actual	Var	%
Inpatient Volume											
Acute Patient Days	229	251	(22)	-9%	732	755	(23)	-3%	644	88	14%
Acute Discharges	58	68	(10)	-15%	197	206	(9)	-4%	171	26	15%
Average Length of Stay	3.9	3.7	0.3	7%	3.7	3.7	0.1	2%	3.8	(0.0)	-1%
Average Daily Census	7.6	8.4	(0.7)	-9%	8.0	8.2	(0.2)	-3%	7.0	1	14%
Surgical Volume											
IP Surgeries	13	9	4	39%	32	28	4	14%	27	5	19%
OP Surgeries	143	128	15	12%	415	384	31	8%	396	19	5%
Total Surgeries	**156**	**137**	**19**	**14%**	**447**	**412**	**35**	**8%**	**423**	**24**	**6%**
Other Outpatient Activity											
Total Outpatient Visits	6,203	5,660	543	10%	18,245	16,980	1,265	7%	16,887	1,358	8%
Emergency Room Visits	975	875	100	11%	3,067	2,625	442	17%	2,787	280	10%

Payor Mix	Actual	Budget	%	Actual	Budget	%
Medicare	38.3%	37.9%	0.4%	40.0%	37.9%	2.0%
Medicare Mgd Care	18.9%	21.0%	-2.1%	18.4%	21.0%	-2.7%
Medi-Cal	16.4%	17.6%	-1.2%	16.7%	17.6%	-0.8%
Commercial	23.3%	20.7%	2.5%	22.0%	20.7%	1.3%
Other	3.1%	2.7%	0.4%	2.9%	2.7%	0.2%
Total	**100.0%**	**100.0%**		**100.0%**	**100.0%**	

Payor Mix calculated based on gross revenues

Trended Outpatient Visits by Area

	Most Recent Six Months							YoY Monthly Averages			
Department	**Apr-25**	**May-25**	**Jun-25**	**Jul-25**	**Aug-25**	**Sep-25**	**Last 6 Months**	**FY26**	**FY25**	**Chg**	**% Chg**
Lab	1,435	1,403	1,392	1,450	1,403	1,481		1,445	1,348	96	7%
Medical Imaging	1,082	1,095	1,051	1,087	1,011	999		1,032	982	50	5%
Physical Therapy	1,489	1,485	1,460	1,319	1,465	1,502		1,429	1,424	5	0%
CT Scanner	478	457	497	508	458	482		483	449	33	7%
Occ. Health	318	282	268	198	256	285		246	267	(21)	-8%
Mammography	300	213	237	233	230	250		238	245	(7)	-3%
Occ. Therapy	172	210	211	288	208	195		230	203	27	13%
Ultrasound	237	195	220	297	251	247		265	218	47	22%
Wound Care	234	258	295	285	278	325		296	251	45	18%
MRI	192	197	198	230	178	251		220	181	39	21%
ECHO	143	144	148	134	100	114		116	129	(13)	-10%
Speech Therapy	83	72	70	60	59	53		57	68	(11)	-16%
Other	27	19	17	28	28	19		25	23	2	8%
TOTAL	**6,190**	**6,030**	**6,064**	**6,117**	**5,925**	**6,203**		**6,082**	**5,789**	**293**	**5%**
Emergency Room	966	1,073	985	1,052	1,040	975		1,022	868	154	18%

Sonoma Valley Health Care District **ATTACHMENT E**

Overall Performace | Key Performance Indicators

For the Period Ended September 30, 2025

	Current Month				Year-To- Date						
	Actual	Budget	Var	%	Actual	Budget	Var	%	PY Actual	Var	%
Operating Margin	$ (146.6)	$ (307.0)	$ 160.4	52%	$ (116.3)	$ (1,068.1)	$ 951.8	89%	$ (889.9)	$ 773.6	87%
Operating EBDA	$ 362.5	$ 206.3	$ 156.1	76%	$ 1,404.3	$ 521.9	$ 882.3	169%	$ 726.7	$ 677.6	93%
Net Income (Loss)	$ 80.9	$ (151.1)	$ 232.1	154%	$ 677.4	$ (600.5)	$ 1,277.8	213%	$ (352.1)	$ 1,029.4	292%

Operating Revenue Summary **(All Numbers in 1000s)**

Net Patient Revenue	$ 6,318	$ 5,675	$ 643	11%	$ 18,898	$ 17,025	$ 1,873	11%	$ 15,116	$ 3,782	25%
NPR as a % of Gross	18.8%	19.7%	-4.6%		18.8%	19.7%	-4.1%		17.7%	6.2%	
Operating Revenue	$ 6,738	$ 6,092	$ 647	11%	$ 20,146	$ 18,275	$ 1,871	10%	$ 16,358.8	$ 3,787	23%

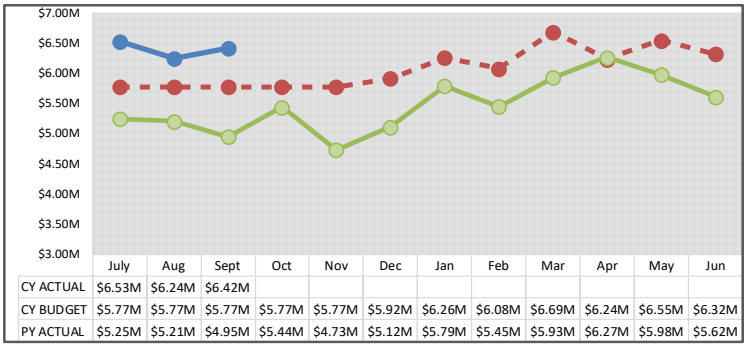
Operating Expense Summary **(All Numbers in 1000s)**

Operating Expenses	$ 6,885	$ 6,399	$ 486	8%	$ 20,262	$ 19,343	$ 919	5%	$ 17,249	$ 3,013	17%
Op Exp. Excl. Depr.	$ 6,376	$ 5,885	$ 491	8%	$ 18,741	$ 17,753	$ 988	6%	$ 15,632	$ 3,109	20%
Worked FTEs	243.60	232.15	11.45	5%	237.56	231.21	$ 6.35	3%	218.09	19.47	9%

Trended Operating Revenue & Operating Expense Graphs

Trended Operating Revenues

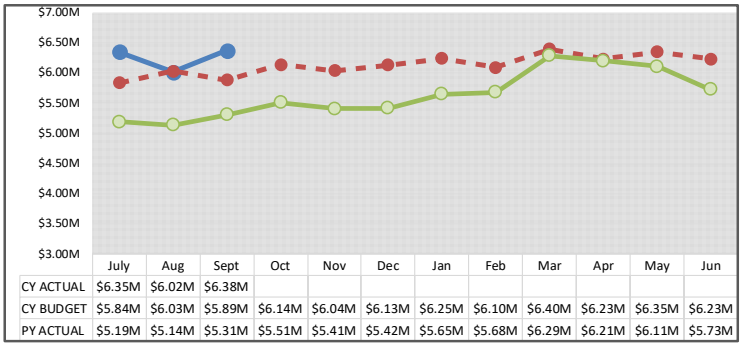
CY Actual vs CY Budget vs PY Actual



	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
CY ACTUAL	$6.53M	$6.24M	$6.42M									
CY BUDGET	$5.77M	$5.77M	$5.77M	$5.77M	$5.77M	$5.92M	$6.26M	$6.08M	$6.69M	$6.24M	$6.55M	$6.32M
PY ACTUAL	$5.25M	$5.21M	$4.95M	$5.44M	$4.73M	$5.12M	$5.79M	$5.45M	$5.93M	$6.27M	$5.98M	$5.62M

Trended Operating Expenses (excl Depreciation)

CY Actual vs CY Budget vs PY Actual



	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
CY ACTUAL	$6.35M	$6.02M	$6.38M									
CY BUDGET	$5.84M	$6.03M	$5.89M	$6.14M	$6.04M	$6.13M	$6.25M	$6.10M	$6.40M	$6.23M	$6.35M	$6.23M
PY ACTUAL	$5.19M	$5.14M	$5.31M	$5.51M	$5.41M	$5.42M	$5.65M	$5.68M	$6.29M	$6.21M	$6.11M	$5.73M

CY ACTUAL • • • CY BUDGET PY ACTUAL

Cash Indicators

	Current Month	Prior Month	Var	% Var
Days Cash	17.5	17.0	0.5	3%
A/R Days	41.4	47.0	(5.6)	-12%
A/P Days	75.2	72.5	2.7	4%