



BOARD FINANCE COMMITTEE

Tuesday, November 12, 2024

4:00 pm – 5:30 pm

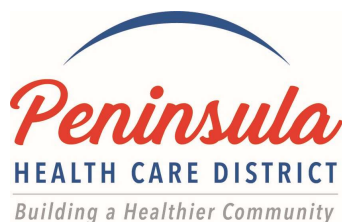
In-person: allcove - 2600 S. El Camino Real, Suite 300, San Mateo, CA 94403

Members of the Public may Join Virtually: <https://us02web.zoom.us/j/82512879956>

Meeting ID: 825 1287 9956 - **By Phone:** +1 253 215 8782; +1 267 831 0333

A G E N D A

1. **Call to Order & Roll Call**
2. **Approval of Minutes:**
 - July 9, 2024 Minutes p. 1
3. **New Member Recommendation – Chair Zell**
 - Jim Knight
 - **Action, if any**
4. **Draft Audited Financials – CFO Yee** p. 5
 - Discussion
 - Q&A
 - **Action, if any**
5. **allcove Deep-Dive Session – Marc Rappaport, Clinical Director and Jackie Almes, Youth Behavioral Health Program Manager**
 - Performance & Service Overview p. 51
 - Budget & Outlook
 - Financial Sustainability
 - Q&A
 - **Action, if any**
6. **Tour of allcove** led by Marc Rappaport and Jackie Almes
7. **Q1 FY 25 Consolidated Financials – INFORMATIONAL ONLY** p. 56
 - Please email CFO Yee to answer any questions.
8. **Future agenda items:**
 - Annual Policy Review & Committee Charge
 - PHCD Health & Fitness Deep-Dive Session
 - Suggestions?
9. **Adjournment**



FINANCE COMMITTEE MEETING

Minutes **July 9, 2024**

1. **Call to Order:** The meeting was called to order by **Director Sanchez** at 4:03 pm.
2. **Roll Call:** Present: Chair Zell, Director Sanchez, Member Seto, Member Revelo, CEO Pulido, CFO Yee. Absent: Member Sun. Also present: Jim Knight, Community Member.
3. **Approval of Minutes** from May 14, 2024

It was moved by Member Revelo and seconded by Member Seto to approve the Minutes from May 14, 2024. The motion passed 6/0/0/1. Ayes: Chair Zell. Director Sanchez, Member Seto, Member Revelo, CEO Pulido, CFO Yee. Absent: Member Sun

4. **Business Arising from Minutes - Wrap-Up Insurance:**

CFO Yee reported that she checked with the District's Broker regarding the wrap-up insurance for The Trousdale and found that the insurance needs to be purchased before construction. The wrap insurance is intended to respond to all construction defect claims regardless of which specific contractor performed the work. Coverage for construction defect claims is normally available under each contractor's practice policy if a wrap was not purchased. The District will need to file a claim against the general building contractor, and they, in turn, will seek out coverage from the various sub-contractors. **CFO Yee** commented that she will look into adding a wrap-up insurance policy for all new construction projects.

5. **City National Bank – Robert Meckstroth, Senior Portfolio Manager:**

Mr. Meckstroth provided an annual performance overview and outlook for the District's investment portfolio. Interest rates will affect this portfolio since the portfolio is primarily invested in fixed income. The downward stock market will not affect this portfolio due to its conservative nature. A negative economic condition will probably increase the value of the account. The federal funds rate is a significant driver of the returns of a short-term bond portfolio. Bonds locked in at a lower interest rate are worth a bit less, but it is positive that as those bonds mature, they will get reinvested as new cash at much higher interest rates. The new bonds have as high as five percent interest rates on very short-term bonds. The projection for the future is that the Fed will cut interest rates probably one or two times by the end of the year and into next year. He believes he will see a few more rate cuts, bringing interest rates down to 4% by the end of 2025. This is a promising outlook for a bond investor because as interest rates go down, bonds in the account will now appreciate and are locked in at higher interest rates that might not be available.

Member Seto asked if there is a way to diversify the portfolio instead of investing only in bonds. **Chair Zell** replied that the District does have some funds in local government pool funds, such as LAIF and the County. The State of California laws dictate what Special Districts can do. The greatest latitude of discretion and what has been most profitable for the District is purchasing real estate. **Mr. Meckstroth** replied that they are bound by the investment policy statement from the District and that additional risks are not allowed. So basically, what they're doing is within the constraints of the policy, trying their best to go for some slightly higher returns while keeping a solid portfolio. They must operate very conservatively per the rule. However, they are trying to extract some funds for marginally higher returns; 11% of the portfolio is in corporate bonds. He also stated that 70% of the portfolio matures between zero to two years, while the rest are between four to six years. Having a short duration protects against interest rate risk.

Member Seto asked if there was any interest in getting treasuries since they are paying over 5% yield and inflation bonds. **Mr. Meckstroth** replied that 90% of the portfolio is in treasury but would stay away from the inflation-protected bonds. Inflation-protected bonds are a big mistake because the Fed is aggressively fighting inflation, and there is an almost 2% spread of return over inflation right now. The current yield to maturity is around 5%. There are some longer maturities, so the District is not stuck with reinvestment risk.

Mr. Meckstroth mentioned that the portfolio almost hit 5% last year, and this year, the portfolio is up 1.7% in a rising interest rate environment. The dental health center portfolio has a similar strategy, but the account value is much smaller. The good news is the timing of the account. This account started after interest rates had already increased, so they're buying bonds at higher interest rates.

6. Sonrisas Deep-Dive Session:

Tracey Fetcher, CEO of Sonrisas, and **Dr. Torrey Rothstein** presented the FY 23-24 performance and outlook for FY 24-25. They currently have 12 dental chairs between the two clinics and one mobile clinic that runs one day a week, and expects 16,000 visits in the current year. It is expensive to maintain the dental equipment. For FY 25, they hope to spend around \$260K. They expect to build out an additional operator in San Mateo which would cost around \$450K and add a Pescadero clinic estimated at \$600K, which is currently not in the budget. Clinical visits for FY 24 are around 14,000, and FY 25 is budgeted close to 16,000. The payer mix affects the financials the most. For FY24, 22% of visits are private insurance, and 76% are low-income people who either do not have insurance or are on County contract/insurance. In FY 25, the plan is to convert some of the current HPSM clients to FQHC, providing a higher reimbursement rate. They also expect a contract signed with SMMC to see pediatric FQHC patients.

Community outreach includes screenings, senior mobile visits, and oral health presentations. In FY 24, they reached 3,766 individuals and budgeted 3,815 for FY 25. Fundraising income for FY 24 was strong at \$2.5M, which includes \$800K from PHCD. Sonrisas is expecting to receive \$2.7M in FY 25. Currently, staffing is 35.25 FTE, and they would like to increase that to 34.85 FTE in FY 25, including a new Chief Operating Officer focusing on the admin side of clinic operations, IT, recruiting, and program financials.

Below is the FY 24 and FY 25 Operating Budget Summary -

Summary	FY 25	Projected FY 24	Budget FY 24	Change FY 24 to FY 25
Total Revenue	6,748,120	5,952,389	6,249,228	498,892
Total Personnel	(5,075,034)	(4,254,509)	(4,746,250)	(328,784)
Total Clinic Expense	(693,352)	(563,790)	(678,935)	(14,417)
Total Overhead Expense	(936,264)	(949,677)	(917,421)	(18,843)
Total Fund. & Outreach expense	(274,366)	(152,979)	(189,416)	(84,950)
NET INCOME	(230,896)	31,435	(282,794)	51,898
Depreciation	335,632	298,557	306,872	28,760
Capital Expenditure	(262,289)	(150,000)	(138,028)	(124,261)
Cash flow	(157,553)	179,992	(113,950)	(43,603)

Ms. Fetcher showed two scenarios indicating a path to sustainability with increased FQHC visits. She mentioned that currently, the County has a huge waitlist for people who have medical but do not have a dental home. However, individuals could drop in in the morning and have an infected tooth pulled or drained because this is the County's safety net. Sonrisas is helping reduce that waitlist. On average, they get 7 to 10 calls daily from people who want to come to Sonrisas. Sonrisas is looking into expanding capacity, providing more care, and helping reduce that waitlist. Also, a separate pediatric dental office would be ideal because staffing and operatories differ. During their oral screening, they see children with active decay. Right now, they are at capacity, but they save a few appointments for the children so they can stay out of the hospital.

Challenges:

- No on-call staff
- 3 months to certify a dentist
- No overflow chairs
- At capacity
- Difficulty in recruiting – finding the right person

Chair Zell asked if there was a waitlist at Sonrisas. **Ms. Fetcher** responded that there is no waitlist because it creates false hopes. They currently have a short cancellation list where they would call individuals when there is a cancellation, and the individual would have to arrive either the next or the same day to become a patient of Sonrisas. **Member Seto** asked what the percentage of no-shows is. **Ms. Fetcher** replied that the vacancy rate is 9-11% and the no-show is slightly higher. **Member Seto** asked why the vacancy rate is so high. **Ms. Fetcher** replied that the rate is higher because they see low-income patients. There are transportation issues, getting off work, or childcare.

Member Seto asked what the top three issues Sonrisas would like to tackle if resources were not an issue. **Ms. Fetcher** replied –

- A separate pediatric-only clinic – 1 dentist to 4 to 5 chairs
- 10th operatory – improve clinic flow of patients
- Mobile Pescadero RV clinic – 2 chairs, provide additional clinic days to farm workers, stable power, and water source.

Chair Zell asked what the per-visit cost of each patient was. **Ms. Fetcher** replied that it is around \$360, which FQHC reimburses per visit. **Chair Zell** asked if private pay can still cover the full cost and help subsidize other payer types like before. **Ms. Fetcher** responded that there is a gap, but it is smaller than what Medi-Cal and HPSM pay.

Community Member Knight asked what the low-income criteria are based on. **Ms. Fetcher** replied that when they are on Medi-Cal, it means the individual is at a bare sustenance level. A family of four makes about \$43,000 a year. If people do not have insurance, they offer an affordable scale that gives them a 15-45% discount based on their income. They continue to accept other insurance types because dental care is costly and vital to overall health. There are the working poor who do not qualify for very low-income county insurance.

Dr. Rothstein commented that private offices can cover their overhead cost with private insurance because they usually have a smaller overhead cost. However, because of the low reimbursement rates, they are getting out of Delta Dental, MetLife, and Aetna's insurance. Usually, the private offices would make the finances work by scheduling more expensive procedures and more patients. The reimbursement rates are not keeping up with inflation.

Member Seto asked if Sonrisas is helping improve the community's health in general terms. What is the impact? **Dr. Rothstein** replied that it is hard to measure. He knows the number of visits Sonrisas has, but they still see cases of adults who have not been to the dentist for 20 years and have to extract almost all of their teeth. The County waitlist to see a dentist can be months to years, so it's difficult to measure. They keep seeing an influx of patients moving into the area, some new to the country who have never had dental care.

Chair Zell suggested that the Sonrisas Board provide a proposal to the District Board to consider, including an economy of scale, location, and the right mix of payer types. He believes the District Board can help with Capital needs.

7. Tour of Sonrisas Dental Health:

The Committee had a tour of Sonrisas led by Spandan Chakrabarti, Development Director.

8. Future Agenda Items:

- allcove – Deep-Dive including FY 24 Performance and Outlook
- FY 23-24 Yr-End Consolidated Financials

Adjournment: **Chair Zell** Adjourned the meeting at 5:58 pm.

Written by Vickie Yee, CFO

Approved by: The Finance Committee X/X/XX



Audited Combined Financial Statements

**PENINSULA
HEALTH CARE DISTRICT**

June 30, 2024 and 2023

Audited Combined Financial Statements

PENINSULA HEALTH CARE DISTRICT

June 30, 2024

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Management's Discussion and Analysis

PENINSULA HEALTH CARE DISTRICT

June 30, 2024

Management of the Peninsula Health Care District (the District) has prepared this annual discussion and analysis in order to provide an overview of performance for the fiscal year ended June 30, 2024 in accordance with the Governmental Accounting Standards Board Statement No. 34, *Basic Financials Statements; Management's Discussion and Analysis for State and Local Governments*. The intent of this document is to provide additional information on the District's historical financial performance as a whole and a prospective look at revenue growth, operating expenses and capital development plans. This discussion should be reviewed in conjunction with the audited financial statements for the fiscal year ended June 30, 2024 and accompanying notes to the financial statements to enhance one's understanding of the District's financial performance.

Financial Summary

- Total assets and deferred outflows increased by \$5.6 million over the prior fiscal year due mainly to increased cash flows. Total cash, cash equivalents and investments increased by \$5.0 million (see the Statements of Cash Flows for changes).
- Current assets increased by \$5.0 million while current liabilities decreased by approximately \$1.1 million when compared to the prior fiscal year. The current ratios for current and prior years were 7.09 and 5.23, respectively.
- Operating revenues increased by \$3.5 million while operating expenses increased by approximately \$2.1 million for the year ended June 30, 2024.
- There was an operating loss of \$6.7 million for the year ended June 30, 2024 as compared to an operating loss of \$8.2 million in the prior year.
- Non-operating revenues (expenses) increased by \$2.3 million due mainly to a \$1.0 million increase in investment income. Grants and contributions also increased by approximately \$1.0 million.
- The increase in net position was \$7.8 million for the year ended June 30, 2024 as compared to an increase of \$4.0 million in the prior year.
- The continued results of GASB 87 resulted in the recognition of lease receivables of \$74.1 million and in the recognition of \$69.7 million in lease liabilities for a net increase in assets of \$4.4 million. Pension asset recognition resulted in a slight decrease in asset of approximately \$159,000.

Management's Discussion and Analysis (continued)

PENINSULA HEALTH CARE DISTRICT

A summary of the District's net assets for 2024, 2023 and 2022 is as follows:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Assets (000's)			
Current assets	\$ 41,698	\$ 36,632	\$ 45,603
Capital assets	98,098	100,272	87,673
Other assets and deferred outflows	<u>74,871</u>	<u>72,160</u>	<u>73,225</u>
Total	<u>\$ 214,667</u>	<u>\$ 209,064</u>	<u>\$ 206,501</u>
Liabilities (000's)			
Current liabilities	\$ 5,884	\$ 7,009	\$ 4,783
Other liabilities and deferred inflows	<u>107,432</u>	<u>108,456</u>	<u>112,106</u>
Total liabilities	113,316	115,465	116,889
Net position (000's)			
Net investment in capital	58,105	58,672	44,526
Restricted	7,500	7,500	7,650
Unrestricted	<u>35,746</u>	<u>27,427</u>	<u>37,436</u>
Total net position	<u>101,351</u>	<u>93,599</u>	<u>89,612</u>
Total	<u>\$ 214,667</u>	<u>\$ 209,064</u>	<u>\$ 206,501</u>

Cash and Investments

At fiscal year ended June 30, 2024, operating cash, cash equivalents and investments totaled \$36.5 million compared to \$31.5 million in fiscal year 2023. Days of cash on hand increased to 589.87 as compared to 554.57 in the prior year. The District maintains sufficient cash and cash equivalents to pay all short-term liabilities.

Capital Assets

During the year, the District spent approximately \$1.2 million on capital assets and capital improvements, net of a minor amount of disposals, which increased the total historical costs of capital assets to \$118.5 million with accumulated depreciation of \$20.4 million to bring net capital assets to \$98.1 million as of June 30, 2024.

Management's Discussion and Analysis (continued)

PENINSULA HEALTH CARE DISTRICT

The following shows the revenues, expenses and increase (decrease) in net position for the years ended June 30, 2024 through June 30, 2022.

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Operating revenues (000's)			
Lease revenues	\$ 3,113	\$ 2,180	\$ 2,192
Dental service - net patient revenues	3,389	2,928	2,725
Assisted living/memory care resident revenues	12,535	10,707	9,784
Fitness center revenues	136	134	114
Other operating revenues	<u>299</u>	<u>4</u>	<u>1,166</u>
Total operating revenues	19,472	15,953	15,981
Operating expenses (000's)			
Salaries and wages	10,519	9,107	7,783
Employee benefits	2,622	2,832	918
Community services and related programs	3,006	3,319	2,592
Professional fees and registry	1,909	1,586	1,045
Supplies	1,387	1,272	1,043
Purchased services	1,012	829	756
Utilities and phone	727	692	604
Building and equipment rent	762	599	285
Insurance	603	557	494
Depreciation and amortization	3,276	3,046	3,036
Other operating expenses	<u>374</u>	<u>308</u>	<u>230</u>
Total operating expenses	<u>26,197</u>	<u>24,147</u>	<u>18,786</u>
Operating income (loss)	(6,725)	(8,194)	(2,805)
Nonoperating revenues (expenses) (000's)			
District tax revenues	9,865	9,611	8,535
Investment income (loss)	3,698	2,752	1,359
Interest expense	(1,608)	(1,699)	(1,698)
Forgiveness of debt borrowings			201
Grants, contributions and other	<u>2,522</u>	<u>1,517</u>	<u>1,184</u>
Total nonoperating revenues (expenses)	<u>14,477</u>	<u>12,181</u>	<u>9,581</u>
Increase (decrease) in net position	<u>\$ 7,752</u>	<u>\$ 3,987</u>	<u>\$ 6,776</u>

Management's Discussion and Analysis (continued)

PENINSULA HEALTH CARE DISTRICT

Dental Service - Net Patient Revenues and Assisted Living/Memory Care Resident Revenues

Net patient service revenues are the resulting difference between gross patient charges and the deductions from revenue. Net patient dental service revenues and assisted living/memory care resident revenues increased in 2024 by approximately \$2.3 million over 2023 mainly due to increased volumes.

Operating Expenses

Total operating expenses in fiscal year 2024 were \$26.2 million compared to \$24.1 million in 2023. Significant changes occurred in the following areas:

- Total salaries and wages increased by approximately \$1.4 million due to additional FTE's at the new youth drop-in center and filling vacant positions at the dental center and assisted living/memory care community.
- Community services and related programs decreased slightly by approximately \$313,000 over the prior year. Professional fees and registry increased by approximately \$322,000 over the prior year, mainly due to additional fees paid to service providers and consultants.
- Supplies increased by approximately \$115,000 over the prior year due mainly to increased occupancy at the assisted living/memory care community and the opening of the youth drop-in center.
- Depreciation increased slightly by approximately \$230,000.
- Other categories of expenses varied from the prior year only marginally.

Programs

Results of area changes in net position of District programs for the year ended June 30, 2024 and 2023 follows:

	<u>2024</u>	<u>2023</u>
Leasing fund	\$ 2,217,939	\$ 2,531,367
Sonrisas Dental Health services	364,941	(39,601)
The Trousdale assisted living/memory care	(173,189)	(1,215,089)
PHCD health & fitness center	27,802	39,033
San Mateo allcove Youth Drop-In Center	1,249,077	-0-
General district operations	<u>4,065,109</u>	<u>2,671,566</u>
	<u>\$ 7,751,679</u>	<u>\$ 3,987,276</u>

Management's Discussion and Analysis (continued)

PENINSULA HEALTH CARE DISTRICT

Economic Factors and Next Fiscal Year's Budget

The District's Board approved the fiscal year ending June 30, 2025 capital and operating budgets at the June 2024 regular board meeting. The budget includes the following key programs and community investments:

The Trowsdale Assisted Living and Memory Care Community: The Trowsdale assisted living and memory care community is a 124-unit facility located in Burlingame, California. The District opened the facility in December 2018 to help fill the Peninsula's need for more living options for the expanding senior population. The District also recognizes the high cost of living on the Peninsula and established a rent assistance fund for qualified individuals at The Trowsdale.

Sonrisas Dental Health: Sonrisas Dental Health is a non-profit organization dedicated to providing access to quality dental care and oral health education by removing barriers for all regardless of age, mobility or cognitive limitations and/or ability to pay, and does so with dignity, respect and compassion. Sonrisas works to improve the health of the community members through culturally sensitive, integrated care, with a focus on disease prevention. The dental health centers are located in San Mateo and Half Moon Bay, California.

San Mateo allcove Youth Drop-In Center: The San Mateo allcove center is a standalone, integrated "one-stop-shop" youth center for ages 12-25 to access support for prevention and early intervention mental health services, physical health, peer and family support, supported education and employment services, and alcohol and drug counseling. The center will provide a central point of access and will seek to improve the continuum of care in three ways: (1) increase access to early intervention and treatment through physical, mental, and early addiction services; (2) create a network of community partners and processes to achieve seamless transitions from referrals through different levels of care; and (3) engage the District's Youth Advisory Group to incorporate their voice in all aspects of developing and launching this impactful mental wellness program. The center accepts all youths (ages 12-25) regardless of insurance and/or ability to pay and is open to the public as of January 2024.

Community Grants Program: The community grants program is one of the strategies the District employs to address the health needs of its residents. The District partners with public agencies and non-profit organizations that share the same vision to support the achievement of optimal health through education, prevention, and access to basic health services and programs. Every year, the District board identifies the most pressing community health needs and establishes funding priorities for the grant term. Our 2025 Community Grants Program Focus Areas and Priorities are: (1) Mental & Behavioral Health Grants – Pediatric Mental & Behavioral Health (Ages 0-12, K-7), Senior Mental Health, Reduction of Adverse Child Events (ACE's) and Toxic Stress, (2) Preventive Health Grants – Health Education, Screening Programs, Vaccination Programs, Evidence-based and/or Innovative Programs that increase access to Preventive Services and Support, (3) Healthy Aging across the Life Course Grants – Healthy Eating and Nutrition, Physical Activity, Socialization for Seniors, Caregiver Support.

Management's Discussion and Analysis (continued)

PENINSULA HEALTH CARE DISTRICT

PHCD Health & Fitness Center: The Health & Fitness Center is a gym and educational facility that offers wellness programs in Burlingame, California. The program aligns with the District's strategy to promote healthy aging through physical activity, health education, socialization and connectivity. Unique to the Center is its focus on connection. The member lounge fosters socialization and provides health resources to complement the movement programs, exercise equipment, and educational topics regularly offered to improve overall well-being.

Cooperative Homes: In 2020, the District purchased two five-bedroom homes in San Mateo, California. With the partnership of AbilityPath and Parca, the District established the first cooperative living homes in San Mateo County for adults with developmental disabilities. The "Cooperative Living" model provides affordable residency tailored for individuals who are capable of living independently, with some additional support. It helps individuals develop independent living skills such as maintaining a budget, carrying out household chores, planning a shopping list, and commuting using public transportation.

In general, the consolidated budget for the fiscal year 2025 projects an increase in net position with additions to both income and expense, with the allcove Youth Drop-In Center incurring significant expenses due to a full year of operations and a gradual increase in usage at the Center.

JWT & Associates, LLP

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Report of Independent Auditors

The Board of Directors
Peninsula Health Care District
Burlingame, California

Opinion

We have audited the accompanying financial statements of the Peninsula Health Care District, (the District) as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the District's combined basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2024 and 2023, and the 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months 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 opinion. Reasonable assurance is a high level of assurance but it is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern.

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.

Emphasis of Matter

As discussed in Note A, the District adopted Governmental Accounting Standards Board (GASB) 87 for the year beginning July 1, 2021 and ending June 30, 2022. Our opinion is not modified with respect to this matter.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplementary schedules as listed in the table of contents are presented for purposes of additional analysis and is not a required part of the combined basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined basic financial statements or to the combined basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. In our opinion, the supplementary schedules as listed in the table of contents are fairly stated, in all material respects, in relation to the combined basic financial statements as a whole.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

JW7 & Associates, LLP

Fresno, California
October 15, 2024

Combined Statements of Net Position

PENINSULA HEALTH CARE DISTRICT

	June 30	
	<u>2024</u>	<u>2023</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 5,929,256	\$ 6,560,582
Investments	30,521,635	24,897,290
Restricted cash and cash equivalents for current purposes	3,184,098	3,151,974
Accounts and leases receivable- current portion	1,807,150	1,800,586
Inventories, prepaid expenses and other current assets	<u>255,648</u>	<u>221,953</u>
Total current assets	41,697,787	36,632,385
Noncurrent assets:		
Non depreciable capital assets	22,933,956	23,143,967
Depreciable capital assets, net of accumulated depreciation	75,164,376	77,128,196
Long term lease receivables and other assets	<u>74,520,433</u>	<u>71,650,651</u>
Total noncurrent assets	172,618,765	171,922,814
Deferred outflows of resources	<u>350,649</u>	<u>509,525</u>
Total assets and deferred outflows of resources	<u>\$214,667,201</u>	<u>\$209,064,724</u>
Liabilities		
Current liabilities:		
Current maturities of debt borrowings	\$ 1,670,000	\$ 1,605,000
Accounts payable and accrued expenses	2,366,123	2,809,769
Accrued payroll and related liabilities	594,767	625,112
Unearned revenues	<u>1,253,370</u>	<u>1,968,952</u>
Total current liabilities	5,884,260	7,008,833
Noncurrent liabilities:		
Debt borrowings, net of current maturities	38,323,664	39,995,603
Lease liabilities and tenant deposits	<u>1,007,665</u>	<u>1,382,871</u>
Total noncurrent liabilities	39,331,329	41,378,474
Deferred inflows of resources	<u>68,101,047</u>	<u>67,078,531</u>
Total liabilities and deferred inflows of resources	113,316,636	115,465,838
Net Position		
Net investment in capital assets	58,104,668	58,671,560
Restricted	7,500,000	7,500,000
Unrestricted	<u>35,745,897</u>	<u>27,427,326</u>
Total net position	<u>101,350,565</u>	<u>93,598,886</u>
Total liabilities, deferred inflows and net position	<u>\$214,667,201</u>	<u>\$209,064,724</u>

See accompanying notes and auditors' report

Combined Statements of Revenues and Expenses

PENINSULA HEALTH CARE DISTRICT

	Year Ended June 30	
	2024	2023
Operating revenues		
Lease revenues	\$ 3,113,798	\$ 2,180,118
Dental service - net patient revenues	3,388,784	2,921,728
Assisted living/memory care resident revenues	12,799,455	10,707,184
Fitness center revenues	136,102	134,049
Other operating revenues	34,156	9,657
Total operating revenues	<u>19,472,295</u>	<u>15,952,736</u>
Operating expenses		
Salaries and wages	10,519,119	9,106,766
Employee benefits	2,621,620	2,831,956
Community services and related programs	3,005,914	3,319,196
Professional fees and registry	1,908,504	1,586,049
Supplies	1,386,700	1,271,850
Purchased services	1,011,691	828,500
Utilities and phone	727,229	691,749
Lease expense	762,248	598,785
Insurance	603,289	556,900
Depreciation and amortization	3,276,446	3,046,554
Other operating expenses	374,092	308,290
Total operating expenses	<u>26,196,852</u>	<u>24,146,595</u>
Operating income (loss)	(6,724,557)	(8,193,859)
Nonoperating revenues (expenses)		
District tax revenues	9,864,552	9,611,604
Investment income	3,697,634	2,752,200
Interest expense	(1,607,698)	(1,699,376)
Grants and contributions	2,521,748	1,516,707
Total nonoperating revenues (expenses)	<u>14,476,236</u>	<u>12,181,135</u>
Increase in net position	7,751,679	3,987,276
Net position at beginning of the year	<u>93,598,886</u>	<u>89,611,610</u>
Net position at end of the year	<u>\$101,350,565</u>	<u>\$ 93,598,886</u>

See accompanying notes and auditor's report

Combined Statements of Cash Flows

PENINSULA HEALTH CARE DISTRICT

	Year Ended June 30	
	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Cash received from assisted living/memory care and other revenues	\$ 11,936,565	\$ 12,420,999
Cash received from dental service - net patient revenues	3,438,138	2,540,851
Cash received from tenants	1,184,911	525,110
Cash payments to suppliers and contractors	(10,285,005)	(8,593,336)
Cash payments to employees and benefit programs	<u>(13,015,647)</u>	<u>(11,320,235)</u>
Net cash (used in) operating activities	(6,741,038)	(4,426,611)
Cash flows from noncapital financing activities:		
District tax revenues	9,864,552	9,611,604
Grants and contributions	<u>2,521,748</u>	<u>1,516,707</u>
Net cash provided by noncapital financing activities	12,386,300	11,128,311
Cash flows from capital and related financing activities:		
Purchase of capital assets, disposals and other asset changes	(1,103,116)	(15,645,563)
Principal payments on debt borrowings	(1,606,939)	(1,546,805)
Interest on debt borrowings	<u>(1,607,698)</u>	<u>(1,699,376)</u>
Net cash (used in) capital financing activities	(4,317,753)	(18,891,744)
Cash flows from investing activities:		
Change in restricted cash and cash equivalents	(32,124)	135,420
Investment income	<u>3,697,634</u>	<u>2,752,200</u>
Net cash provided by investing activities	<u>3,665,510</u>	<u>2,887,620</u>
Net increase (decrease) in cash, cash equivalents and investments	4,993,019	(9,281,908)
Cash, cash equivalents and investments at beginning of year	<u>31,457,872</u>	<u>40,739,780</u>
Cash, cash equivalents and investments at end of year	<u>\$ 36,450,891</u>	<u>\$ 31,457,872</u>

See accompanying notes and auditor's report

Combined Statements of Cash Flows (continued)

PENINSULA HEALTH CARE DISTRICT

	Year Ended June 30	
	<u>2024</u>	<u>2023</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ (6,724,557)	\$ (8,193,859)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	3,276,446	3,046,554
Changes in operating assets and liabilities:		
Patient accounts receivables	49,354	(380,877)
Rent receivables	(34,122)	77,012
Lease and other receivables	(2,925,014)	325,305
Inventories, prepaid expenses and other assets	(33,694)	(54,191)
Accounts payable and accrued expenses	(471,644)	622,174
Accrued payroll and related liabilities	(30,345)	(59,571)
Unearned revenues	(715,582)	1,513,772
Lease payables, net	730,219	(1,989,033)
Tenant deposits	(17,536)	(11,955)
Pension related accounts	<u>155,437</u>	<u>678,058</u>
Net cash (used in) operating activities	<u>\$ (6,741,038)</u>	<u>\$ (4,426,611)</u>

See accompanying notes and auditor's report

Notes to Combined Financial Statements

PENINSULA HEALTH CARE DISTRICT

June 30, 2024

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: Peninsula Health Care District (the District) is a public entity healthcare district organized under Local Hospital District Law as set forth in the Health and Safety Code of the State of California. The District is a political subdivision of the State of California and is generally not subject to federal or state income taxes. The District is governed by a five-member Board of Directors, elected from within the district to specified terms of office.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for financial reporting, in conjunction with the Financial Accounting Standards Board (FASB).

The District was formed in 1947, purchased land in Burlingame, and built and operated Peninsula Hospital. In 1985, the Board brought in a hospital operator to run the hospital. In 2006, with a 92% favorable vote of its residents, the Board entered into a 50-year master lease agreement with Sutter Health to build, own, and operate a new seismically compliant hospital on the District's Burlingame acreage. Sutter Health's new hospital opened on May 15, 2011, the 50-year lease started as of that day, and the District's Peninsula Hospital was demolished by the end of 2011.

The District's investments to address the health priorities of its residents transitioned from a hospital-focus to a community-based focus. The vision of the District is for all its residents to achieve their optimal health and wellness through education, prevention, advocacy and access to basic health care services - medical, behavioral, and dental. The District's Strategic Values are: (1) "Stewardship" - ensuring that all District assets are used for the community's health benefit; (2) "Collaboration" - working in partnership with others committed to improving the health of their community; (3) "Inclusion" - ensuring that the health care needs of all District residents will be considered regardless of financial and health status; and (4) "Transparency" - conducting the District's business through processes that encourage public input, review, and comment.

Component Units: The Peninsula Health Care District Financing Corporation (the Corporation) was established during the fiscal year 2013-14 for the purpose of providing assistance to the District in financing the acquisition, construction and improvement of health care facility buildings, works and equipment for the District. Although legally separate from the District, the Corporation is reported as if it were part of the District because its sole purpose is to provide financing to the District under debt issuance agreements of the District. However, the Corporation had no transactions to report on during the years ended June 30, 2024 and 2023.

In addition, the Sonrisas Dental, Inc. (Sonrisas) is included in the financial statements as a component unit due to the financial relationship between Sonrisas and the District as the District controls the voting majority of the governing board of Sonrisas. The operations of Sonrisas are included in the financial statements.

Notes to Combined Financial Statements

PENINSULA HEALTH CARE DISTRICT

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Preparation: The accounting policies and combined financial statements of the District generally conform with the recommendations of the audit and accounting guide, *Health Care Organizations*, published by the American Institute of Certified Public Accountants. The combined financial statements are presented in accordance with the pronouncements of the Governmental Accounting Standards Board (GASB). For purposes of presentation, transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as operational revenues and expenses.

The District uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on GASB Statement Number 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the District has elected to apply the provisions of all relevant pronouncements as the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Within the District's financial transactions are five funds utilized by the District designed to focus on the operations of selected areas of the District's overall financial well-being as follows:

Leasing Fund: The Leasing Fund of the District accounts for the financial transactions related to the property leasing operations of the District.

Dental Fund: The Dental Fund of the District accounts for the financial transactions related to the dental service operations provided by Sonrisas.

Trousdale Fund: The Trousdale Fund of the District accounts for the financial transactions related to the assisted living/memory care service operations of the District.

Health & Fitness Fund: The Health & Fitness Fund of the District accounts for the financial transactions related to the fitness center operations of the District.

San Mateo allcove Youth Drop-in Center: The San Mateo allcove Youth Drop-in Center of the District accounts for the financial transactions related to the recently opened youth mental health center by the District in January, 2024.

The financial results of these five funds are presented as supplemental schedules within this report (see table of contents).

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

Notes to Combined Financial Statements (continued)

PENINSULA HEALTH CARE DISTRICT

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash, Cash Equivalents and Investments: The District considers cash and cash equivalents to include cash on hand, demand deposits, and certain investments in highly liquid debt instruments, when present, with an original maturity of a short-term nature or subject to withdrawal upon request. Exceptions are for those investments which are intended to be continuously invested. Investments in debt securities are reported at market value. Interest, dividends and both unrealized and realized gains and losses on investments are included as investment income in nonoperating revenues when earned. Investments that are not traded on a market, such as investments in external pools, are valued based on the stated value as represented by the external pool. The District has elected not to report investments at amortized cost. Cash and cash equivalents also include cash held with County treasuries and State funds.

Patient Accounts Receivable: 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, inquiring with respective payors as to collectability and providing for allowances on their accounting records for estimated contractual adjustments and uncollectible accounts. Significant concentrations of patient accounts receivable are discussed further in the footnotes.

Inventories: Inventories are consistently reported from year to year at cost determined on combination of first-in, first-out (FIFO) basis for certain types of inventory and replacement values, which are not in excess of market, for other types of inventory. Inventories as of June 30, 2024 and 2023 amount to \$31,640 and \$21,563, respectively.

Restricted Assets: Restricted assets include contributor restricted funds, amounts designated by the Board of Directors for replacement or purchases of capital assets, and other specific purposes, and amounts held by trustees under specified agreements. Restricted assets consist primarily of deposits on hand with local banking and investment institutions, and bond trustees.

Capital Assets: Capital assets consist of property and equipment and are reported on the basis of cost, or in the case of donated items, on the basis of fair market value at the date of donation. Routine maintenance and repairs are charged to expense as incurred. Expenditures which increase values, change capacities, or extend useful lives are capitalized. During periods of asset construction, the District capitalizes interest cost net of any interest earned on temporary investments of the proceeds set aside for construction projects funded by tax-exempt debt borrowings. Interest expense is also capitalized for projects financed with operating funds.

Depreciation of property and equipment and amortization of property under capital leases are combined in the statements of revenues, expenses and changes in net position and are computed by the straight-line method for both financial reporting and cost reimbursement purposes over the estimated useful lives of the assets, which range from 10 to 40 years for buildings and improvements, and 3 to 10 years for equipment. The District periodically reviews its capital assets for value impairment. As of June 30, 2024 and 2023, the District has determined that no capital assets are significantly impaired.

Notes to Combined Financial Statements (continued)

PENINSULA HEALTH CARE DISTRICT

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Other Assets: As of June 30, 2023, other assets are comprised of long-term lease receivables of \$74,108,089, pension assets of \$364,607 and deposits of \$47,737 for a total of \$74,520,433. As of June 30, 2022, other assets are comprised of long-term lease receivables of \$71,101,950, pension assets of \$398,044 and deposits of \$150,657 for a total of \$71,650,651. The lease receivables are due to GASB 87 and the lease recording requirements as discussed further in footnote J.

Deferred Inflows and Outflows of Resources: The District records deferred inflows and outflows of resources which are associated with the District's retirement plan. For purposes of measuring net pension liability and deferred inflows/outflows of resources related to the District's pensions, and pension expense, information about the fiduciary net position of the District's California Public Employee's Retirement System (CalPERS) plan (the Plan) and additions to or deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Compensated Absences: The District's employees earn paid-time-off (PTO) benefits at varying rates depending on years of service. PTO benefits can accumulate up to specified maximum levels. Employees are paid for PTO accumulated benefits if they leave either upon termination or separation. Accrued PTO liabilities as of June 30, 2024 and 2023 were \$93,914 and \$83,588, respectively.

Unearned Revenue: Unearned revenues arise when resources are received by the District before they are earned. In subsequent periods, when the revenue recognition criteria is met, or when the District has legal claim to these resources, the liability for unearned revenue is removed and the revenue is recognized. Unearned revenues are comprised mainly of prepaid rent.

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; and medical malpractice. Commercial insurance coverage is purchased for claims arising from such matters.

Net position: Net position is presented in three categories. The first category of net position is "net investment in capital assets". This category of net position consists of capital assets (both depreciable and non depreciable), net of accumulated depreciation and reduced by the outstanding principal balances of any debt borrowings that were attributable to the acquisition, construction, or improvement of those capital assets. The second category is "restricted" net position. This category consists of externally designated constraints placed on assets by creditors (such as through debt covenants), grantors, contributors, law or regulations of other governments or government agencies, or law or constitutional provisions or enabling legislation. The District is required to maintain liquid assets in the amount of \$7,500,000 as required by debt covenants. The third category is "unrestricted" net position. This category consists of net position that does not meet the definition or criteria of the previous two categories.

Notes to Combined Financial Statements (continued)

PENINSULA HEALTH CARE DISTRICT

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Patient Service Revenues: Net patient service revenues related to the dental operations are reported in the period at the estimated net realized amounts from patients, third-party payors and others including estimated retroactive adjustments under reimbursement agreements with third-party programs. Normal estimation differences between final reimbursement and amounts accrued in previous years are reported as adjustments of current year's net patient service revenues.

Charity Care: The District accepts all dental patients regardless of their ability to pay. A patient is classified as a charity patient by reference to certain established policies of the District. Essentially, these policies define charity services as those services for which no payment is anticipated. Because the District does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenues. Services provided are recorded as gross patient revenues and then written off entirely as an adjustment to net patient service revenues. Partial payments to which the District is entitled from public assistance programs on behalf of certain patients that meet the District's charity care criteria are reported under net patient service revenues. These supplemental programs are generally funded from governmental agencies and others. Total charity care was considered minimal for the years ended June 30, 2024 and 2023, respectively.

District Tax Revenues: The District receives approximately 27% of its financial support from property taxes. These funds are used to support operations of the District. They are classified as non-operating revenue as the revenue is not directly linked to the four basic services provided by the District. Property taxes are levied and collected by the San Mateo County (the County) on the District's behalf during the year, and are intended to help finance the District's activities during the same year. Amounts are levied on the basis of the most current property values on record with the County under the Teeter Plan, therefore taxes receivable, uncollectible, or deferred do not affect the distribution to the District. The County has established certain dates to levy, lien, mail bills, and receive payments from property owners during the year. Those dates are: (1) lien date of January 1; and (2) due dates of December 10 and April 10. Property taxes are considered delinquent on the day following each payment due date.

Operating and Nonoperating Revenues and Expenses: The District's statement of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing services related to the five basic funds as previously mentioned, which are the District's principal activities. Operating expenses are all expenses incurred to provide these services, other than financing costs. Nonoperating revenues and expenses are those transactions not considered directly linked to providing services within these four basic service areas.

Recently Adopted Accounting Pronouncement: In June 2017 the Governmental Accounting Standards Board released GASB 87 regarding changes in the way leases are accounted for. GASB 87 superseded GASB 13 and GASB 62 and more accurately portrays lease obligations by recognizing lease assets and lease liabilities on the statement of net position and disclosing key information about leasing arrangements. The District has adopted GASB 87 effective July 1, 2021 in accordance with the timetable established by GASB 87.

Notes to Combined Financial Statements (continued)

PENINSULA HEALTH CARE DISTRICT

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition: As previously stated, net patient service revenues are reported at amounts that reflect the consideration to which the District expects to be entitled in exchange for dental patient services. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and include variable consideration for retroactive revenue adjustments due to settlement of third-party payor audits, reviews, and investigations. Generally, the District bills the patients and third-party payors several days after the patient receives dental services at Sonrisas. Revenue is recognized as services are rendered.

The District has agreements with third-party payors that provide for payments to the District at amounts different from its established rates. Payment arrangements include prospectively determined rates per day, discharge or visit, reimbursed costs, discounted charges and per diem payments. 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.

Gifts of long-lived assets such as land, buildings, or equipment are reported as net assets without donor restrictions unless explicit donor stipulations specify how the donated asset must be used. Gifts of long-lived assets with explicit donor restrictions that specify how the asset is to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived asset is placed in service. Cash received in excess of revenue recognized is deferred revenue.

Contributions are recognized as revenue when they are received or unconditionally pledged. Donor stipulations that limit the use of the donation are recognized as contributions with donor restrictions. When the purpose is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from donor restrictions. Donor restricted contributions whose restriction expire during the same fiscal year are recognized as net assets without donor restrictions. Absent donor-imposed restrictions, the District records donated services, materials, and facilities as net assets without donor restrictions.

From time to time, the District receives grants from various governmental agencies and private organizations. Revenues from grants are recognized when all eligibility requirements, including time requirements are met. Grants may be restricted for either specific operating purposes or capital acquisitions. These amounts, when recognized upon meeting all requirements, are reported as components of the statement of revenues, expenses and changes in net position.

Notes to Combined Financial Statements (continued)

PENINSULA HEALTH CARE DISTRICT

NOTE B - CASH, CASH EQUIVALENTS AND INVESTMENTS

As of June 30, 2024 and 2023, the District had deposits with various financial institutions in the form of operating cash and cash equivalents amounting to \$5,929,057 and \$6,560,384. All of these funds were held in deposits, which are collateralized in accordance with the California Government Code (CGC) and are federally insured.

The CGC requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless waived by the governmental unit). California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total deposits. The pledged securities are held by the pledging financial institution's trust department in the name of the District. The market value of pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. As of June 30, 2024 and 2023, \$5,429,053 and \$6,060,380, respectively, of the District's deposits with financial institutions in excess of FDIC limits was held in collateralized accounts.

The District is authorized under the CGC to make deposits into a variety of investment types. Investments consist of several types authorized by the CGC including U.S. Government securities and state and local agency funds invested in U. S. Government securities. These investments are stated at quoted market values. Changes in market value between years are reflected as a component of investment income in the accompanying statement of revenues, expenses and changes in net position.

The State makes available the Local Agency Investment Fund (LAIF) through which local governments may pool investments. Investments are highly liquid and can be converted to cash within 24 hours. Participation in LAIF is voluntary and is limited to \$40 million for each entity. The fair value of the District's investment in LAIF is reported based on the District's pro rata share of the fair value provided by LAIF for the entire portfolio.

NOTE C - CONCENTRATION OF CREDIT RISK

Financial Instruments: Financial instruments, potentially subjecting the District to concentrations of credit risk, consist primarily of bank deposits in excess of the Federal Deposit Insurance Corporation (FDIC) limits of \$250,000. Although deposits exceed the limit in certain bank accounts, management believes that the risk of loss is minimal due to the high financial quality of the bank with which the District does business. The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the CGC. There are no investments in one issuer that represent 5% or more of the District's total investment portfolio, other than U.S. Treasury obligations and U.S. Securities. Management believes that there is no risk of material loss due to concentration of credit risk with regards to investments as of June 30, 2024 and 2023.

Notes to Combined Financial Statements (continued)

PENINSULA HEALTH CARE DISTRICT

NOTE C - CONCENTRATION OF CREDIT RISK (continued)

Accounts Receivable: The District grants credit without collateral to its patients and third-party payors. Patient accounts receivable from government agencies represent the only concentrated group of credit risk for the District and management does not believe that there are any credit risks associated with these governmental agencies. Contracted and other accounts receivable consist of various payors including individuals involved in diverse activities, subject to differing economic conditions and do not represent any concentrated credit risks to the District. Concentration of accounts receivable at June 30, 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
Interest receivable	\$ 309,977	\$ 192,110
Rent receivable	76,694	42,572
Patient accounts receivable, net of allowances	277,081	281,797
Grants and other agency receivables	752,204	503,610
Leases receivable - current portion	221,536	517,306
Other miscellaneous receivables	<u>169,658</u>	<u>263,191</u>
Total accounts receivable, net of allowances	<u>\$ 1,807,150</u>	<u>\$ 1,800,586</u>

NOTE D - RESTRICTED CASH AND CASH EQUIVALENTS

Restricted cash and cash equivalents as of June 30, 2024 and 2023 were comprised of the following:

	<u>2024</u>	<u>2023</u>
Restricted for the following various purposes:		
Sonrisas donor restricted cash and cash equivalents		
Certificate of deposits - restricted per loan covenant	<u>\$ 3,184,098</u>	<u>\$ 3,151,974</u>
	3,184,098	3,151,974
Less restricted cash available for current purposes	<u>(3,184,098)</u>	<u>(3,151,974)</u>
	<u>\$</u>	<u>\$</u>

Notes to Combined Financial Statements (continued)

PENINSULA HEALTH CARE DISTRICT

NOTE E -INVESTMENTS

The District's investment balances and average maturities were as follows at June 30, 2024 and 2023:

<i>As of June 30, 2024</i>	Fair Value	Investment Maturities in Years		
		Less than 1	1 to 5	Over 5
Local agency investment fund	\$ 6,067,951	\$ 6,067,951		
San Mateo County treasury	3,710,676	3,710,676		
Money market and cash equivalents	246,553	246,553		
U.S. Treasury obligations	18,393,995	7,856,758	\$ 10,537,237	
Corporate equities	1,127,941	129,129	998,812	
Certificates of deposit	3,184,098	3,184,098		
Foreign equities	969,902	494,697	475,205	\$
Total investments	<u>\$ 33,701,116</u>	<u>\$ 21,689,862</u>	<u>\$ 12,011,254</u>	<u>\$</u>

<i>As of June 30, 2023</i>	Fair Value	Investment Maturities in Years		
		Less than 1	1 to 5	Over 5
Local agency investment fund	\$ 5,845,072	\$ 5,845,072		
San Mateo County treasury	3,587,640	3,587,640		
Money market and cash equivalents	3,156,839	3,156,839		
U.S. Treasury obligations	8,666,159	3,412,160	\$ 5,253,999	
Corporate equities	3,329,547	832,729	2,496,818	
Certificates of deposit	3,151,974	3,151,974		
Municipal bonds	312,033	312,033		\$
Total investments	<u>\$ 28,049,264</u>	<u>\$ 20,298,447</u>	<u>\$ 7,750,817</u>	<u>\$</u>

Interest Rate Risk: Interest 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 rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from maturities so that a position of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for District operations. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the preceding schedules that shows the distribution of the District's investments by maturity.

Notes to Combined Financial Statements (continued)

PENINSULA HEALTH CARE DISTRICT

NOTE E -INVESTMENTS (continued)

Credit Risk: Credit risk is the risk that the issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization, such as Moody's Investor Service, Inc. The District adheres to the CGC's minimum rating requirements for their investment policy. Ratings range from AAA to BBB+ and some are either exempt from ratings or not rated.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer), the District would not be able to recover the value of its investment or collateral securities that are in the possession of another party. The CGC and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools such as LAIF or the San Mateo County investment pool.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The District's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the CGC. There are no investments in one issuer that represent 5% or more of total District investments (other than U.S. Treasury obligations and U.S. Agency securities).

Investment Hierarchy - The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant other unobservable inputs. The District's June 30, 2024 and 2023 investments at Level 1 were \$20,738,391 and \$15,464,578, respectively. There were no investments at Level 2 or 3 for either year.

NOTE F - REGULATORY ENVIRONMENT

The District is subject to several laws and regulations. These laws and regulations include matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medi-Cal fraud and abuse. Government activity has increased with respect to possible violations of statutes and regulations by health care providers. Violations of these laws and regulations 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. Management believes that the District is in compliance with all applicable government laws and regulations and is not aware of any future actions or unasserted claims at this time.

Notes to Combined Financial Statements (continued)

PENINSULA HEALTH CARE DISTRICT

NOTE G - CAPITAL ASSETS

Capital assets were comprised of the following:

	<u>June 30, 2023</u>	<u>Transfers & Additions</u>	<u>Transfers & Deletions</u>	<u>June 30, 2024</u>
Capital assets not being depreciated				
Land	\$ 22,899,380		\$	\$ 22,899,380
Construction-in-progress	<u>244,587</u>	<u>\$ 34,576</u>	<u>(244,587)</u>	<u>34,576</u>
Total	<u>\$ 23,143,967</u>	<u>\$ 34,576</u>	<u>\$ (244,587)</u>	<u>\$ 23,933,956</u>
Capital assets being depreciated				
Buildings and improvements	90,511,736	\$ 1,135,134	(248,340)	91,398,530
Equipment	<u>3,778,576</u>	<u>380,251</u>	<u>(6,890)</u>	<u>4,151,937</u>
Total	94,290,312	1,515,385	(255,230)	95,550,467
Less accumulated depreciation for:				
Buildings and improvements	(11,520,944)	(2,852,655)		(14,373,599)
Equipment	<u>(5,641,172)</u>	<u>(423,791)</u>	<u>52,471</u>	<u>(6,012,492)</u>
Total accumulated depreciation	<u>(17,162,116)</u>	<u>(3,276,446)</u>	<u>52,471</u>	<u>(20,386,091)</u>
Total assets being depreciated	<u>\$ 77,128,196</u>	<u>\$ (1,761,061)</u>	<u>\$ (202,759)</u>	<u>\$ 75,164,376</u>
Total capital assets, net	<u>\$100,272,163</u>	<u>\$ (1,726,485)</u>	<u>\$ (447,346)</u>	<u>\$ 98,098,332</u>
	<u>June 30, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2023</u>
Capital assets not being depreciated				
Land	\$15,390,822	\$ 7,508,558	\$	\$ 22,899,380
Construction-in-progress	<u>244,587</u>	<u>244,587</u>	<u>_____</u>	<u>244,587</u>
Total	<u>\$15,390,822</u>	<u>\$ 7,753,145</u>	<u>\$ _____</u>	<u>\$ 23,143,967</u>
Capital assets being depreciated				
Buildings and improvements	82,850,156	\$ 7,661,580		90,511,736
Equipment	<u>3,662,865</u>	<u>230,838</u>	\$ (115,127)	<u>3,778,576</u>
Total	86,513,021	7,892,418	(115,127)	94,290,312
Less accumulated depreciation for:				
Buildings and improvements	(9,682,709)	(1,838,235)		(11,520,944)
Equipment	<u>(4,547,978)</u>	<u>(1,208,321)</u>	<u>115,127</u>	<u>(5,641,172)</u>
Total accumulated depreciation	<u>(14,230,687)</u>	<u>(3,046,556)</u>	<u>115,127</u>	<u>(17,162,116)</u>
Total assets being depreciated	<u>\$ 72,282,334</u>	<u>\$ 4,845,862</u>	<u>\$ _____</u>	<u>\$ 77,128,196</u>
Total capital assets, net	<u>\$ 87,673,156</u>	<u>\$ 12,599,007</u>	<u>\$ _____</u>	<u>\$100,272,163</u>

Notes to Combined Financial Statements (continued)

PENINSULA HEALTH CARE DISTRICT

NOTE H - DEBT BORROWINGS

As of June 30, 2024 and 2023, debt borrowings were as follows:

	<u>2024</u>	<u>2023</u>
Peninsula Health Care District Certificate of Participation; principal due each February 1 st at various amounts through 2038; interest due semi-annually on August 1 st and February 1 st (3.91%); collateralized by District assets and revenues:	\$ 31,540,000	\$ 32,815,000
Peninsula Health Care District Certificate of Participation; principal due each February 1 st at various amounts through 2038; interest due semi-annually on August 1 st and February 1 st (3.47%); collateralized by District assets and revenues:	8,450,000	8,780,000
Minor capital leases	<u>3,664</u>	<u>5,603</u>
	41,600,603	41,600,603
Less current maturities of debt borrowings	<u>(1,670,000)</u>	<u>(1,605,000)</u>
	<u>\$ 38,323,664</u>	<u>\$ 39,995,603</u>

The first Certificate of Participation was issued during fiscal year ended June 30, 2014 in the amount of \$40,000,000 for the purpose of financing the costs of construction and equipping of an assisted living/memory care facility in Burlingame, California. The second Certificate of Participation was issued during the fiscal year ended June 30, 2016 in the amount of \$10,000,000, also for the purpose of continuing to finance the costs of construction and equipping the assisted living/memory care facility. Both were entered into with debt agreements with the Western Alliance Bank.

Future principal maturities for the Certificates of Participation for the next five succeeding years are: \$1,670,000 in 2025; \$1,735,000 in 2026; \$1,805,000 in 2027; \$1,875,000 in 2028; \$1,950,000 in 2029. Thereafter maturities are \$30,955,000.

The Certificates of Participation are subject to certain loan covenants which are: (1) maintain liquid assets in an amount equal to at least \$7,500,000; (2) maintain a debt service coverage ratio of 1.2 times; (3) the District will not issue any new obligations unless certain requirements are met; and (4) the District will maintain at least \$3,000,000 in an affiliate bank of Western Alliance Bank

Notes to Combined Financial Statements (continued)

PENINSULA HEALTH CARE DISTRICT

NOTE I - COMMITMENTS AND CONTINGENCIES

Construction-in-Progress: As of June 30, 2024, the District has recorded \$34,576 as construction-in-progress representing cost capitalized for improvements at the assisted living/memory care community. Estimated future costs to complete the projects as of June 30, 2024 is \$5,229.

Litigation: The District may from time-to-time be involved in litigation and regulatory investigations which arise in the normal course of doing business. After consultation with legal counsel, management estimates that matters existing as of June 30, 2024 will be resolved without material adverse effect on the District's future financial position, results from operations or cash flows.

Medical Malpractice Insurance: The District maintains commercial malpractice liability insurance coverage under a claims made and reported policy covering losses up to \$10 million per claim and \$20 million in the annual aggregate, with a per claim deductible of \$10,000. The District plans to maintain the insurance coverage by renewing its current policy, or by replacing it with equivalent insurance.

HIPAA: The Health Insurance Portability and Accountability Act (HIPAA) was enacted August 21, 1996, to ensure health insurance portability, reduce health care fraud and abuse, guarantee security and privacy of health information, and enforce standards for health information. Organizations are subject to significant fines and penalties if found not to be compliant with the provisions outlined in the regulations. Management believes the District is in compliance with HIPAA as of June 30, 2024 and 2023.

Definitive Agreement: The Definitive Agreements between the District and MPHS became effective on November 1, 2006. Under these agreements, MPHS was to construct and equip a new hospital on land leased from the District, and then demolish the old and existing hospital facility.

At the end of the ground lease, or upon the District's early termination of the Definitive Agreement with MPHS, the District is obligated to reimburse MPHS for certain items. Depending upon the circumstances and timing of the termination of the ground lease, these obligations could include the Net Book Value (NBV) of all post term assets and/or the Fair Market Value (FMV) of the use of certain hospital building improvements and equipment for whatever term of the ground lease remained as of the date of termination. Post term assets are defined as certain equipment and hospital building improvements either specifically approved by the District's Board in the 25-year period prior to the lease end, required by law, or necessitated by uninsured damage to the new hospital.

The early termination of the Definitive Agreement with MPHS is only allowed if MPHS commits a "Paramount Default" as defined in Section 5.01.B of the Master Agreement of the Definitive Agreement at any time after MPHS opens the new hospital.

Notes to Combined Financial Statements (continued)

PENINSULA HEALTH CARE DISTRICT

NOTE J - LEASES

The District transitioned its prior hospital facilities and equipment lease into a Master Agreement with Mills-Peninsula Health Services (MPHS) effective November 1, 2006. This agreement included lease of the hospital facilities, a construction ground lease, and rental of additional District land upon which MPHS constructed the new Mills-Peninsula Medical Center and Palo Alto Foundation Clinic. On May 15, 2011, the new hospital was completed and available for use and the 50-year ground lease between the District and the MPHS became effective.

The lease rate for the District land was set on November 1, 2006 at \$1,500,000 per year with a CPI adjustment every 3 years over the term of the ground lease. MPHS has the option to extend the ground lease for an additional 25 years with the written consent of the District.

The District is the lessor of four additional buildings to various tenants. The building at 1764 Marco Polo was acquired at the end of June 2023 and is being leased to a community non-profit organization with agreement dates and terms. The building at 1740 Marco Polo is being leased to nine separate parties with various agreement dates and terms. The building at 1720 Marco Polo is being leased to six separate parties with various agreement dates and terms. The homes at 111 and 113 16th Avenue are being leased to a community non-profit organization. These lease agreements either did not qualify for the GASB 87 adoption or were considered to not be material. Rental revenue for these properties were \$1,133,407 and \$426,762 for the years ended June 30, 2024 and 2023, respectively.

The District is the lessee for two other buildings - 2600 El Camino Real in San Mateo and 210 San Mateo Road, Suite 104, located in Half Moon Bay. Lease expense for these units for the years ended June 30, 2024 and 2023 were \$383,825 and \$379,058, respectively. It was determined that GASB 87 did not apply to these leases, except for the 2600 El Camino Real lease described below.

GASB 87 Adoption: As of July 1, 2021 the District adopted the Governmental Accounting Standards Board (GASB) 87 requiring certain changes in the way the District accounted for leases, both as a lessee and as a lessor.

Lessee: The District leases a building in San Mateo for the San Mateo allcove Youth Drop-In Centet for services under an operating lease located at 2600 El Camino Real. Lease commencement occurred on June 1, 2022. Remaining terms for the lease is 35 months with options to extend. The lease does not contain a readily determinable discount rate. The estimated borrowing rate of 3.5% was used to discount the remaining cash flows for this operating lease.

The District's lease agreement does not contain any material restrictions, covenants, or any material residual value guarantees.

Notes to Combined Financial Statements (continued)

PENINSULA HEALTH CARE DISTRICT

NOTE J - LEASES (continued)

Lessee -lease related assets and liabilities as of June 30, 2024 and 2023 consist of the following:

Assets:	<u>2024</u>	<u>2023</u>
Operating lease asset - current receivable portion	\$ 334,784	\$ 318,958
Operating lease asset - noncurrent receivable portion	<u>641,670</u>	<u>1,000,309</u>
Total lease assets	<u>\$ 976,454</u>	<u>\$ 1,319,267</u>
Liabilities:		
Operating lease payable - current portion	\$ 352,816	\$ 324,819
Operating lease payable - noncurrent portion	<u>744,737</u>	<u>1,102,407</u>
Total lease liabilities	<u>\$ 1,097,553</u>	<u>\$ 1,427,226</u>

Total operating lease expense under this lease arrangement for the year ended June 30, 2024 was \$334,784 and the related interest expense was \$44,713.

The future minimum rental payments required under operating lease obligations as of June 30, 2024, having initial or remaining non-cancelable lease terms in excess of one year are summarized as follows:

Years ending June 30,

2025	\$ 385,622
2026	397,194
2027	374,077
Thereafter	<u>-0-</u>
Total	1,156,893
Less: interest	<u>(59,340)</u>
Present value of lease liabilities	<u>\$ 1,097,553</u>

The weighted average for the remaining lease term of this operating lease is 2.92 years and the weighted average discount rate for this operating lease is 3.5%

Notes to Combined Financial Statements (continued)

PENINSULA HEALTH CARE DISTRICT

NOTE J - LEASES (continued)

Lessor: As previously mentioned, there is a Master Agreement with MPHS under an operating lease. Original terms for the lease is 50 years. This lease contains an option to extend for another 25 years. The lease does not contain a readily determinable discount rate. The estimated borrowing rate of 3.0% was used to discount the remaining cash flows for this operating lease.

Total lease revenue under this lease agreement for the years ended June 30, 2024 and 2023 were \$1,980,391 and \$1,753,354, respectively. The related interest income for the years ended June 30, 2024 and 2023 were \$2,391,679 and \$2,110,047, respectively.

Lessor-lease related assets and liabilities as of June 30, 2024 and 2023 consist of the following:

Assets:	<u>2024</u>	<u>2023</u>
Lease receivable - current portion	\$ 221,536	\$ 198,348
Lease receivable - noncurrent portion	<u>73,131,635</u>	<u>70,101,642</u>
Total lease assets	<u>\$ 73,353,171</u>	<u>\$ 70,299,990</u>
Deferred inflows of resources:		
Deferred inflows of resources	<u>\$ 67,979,056</u>	<u>\$ 66,919,662</u>
Total lease liabilities	<u>\$ 67,979,056</u>	<u>\$ 66,919,662</u>

The future minimum rental payments required under operating lease obligations as of June 30, 2024, having initial or remaining non-cancelable lease terms in excess of one year are summarized as follows:

Years ending June 30,

2025	\$ 2,419,102
2026	2,419,102
2027	2,540,057
2028	2,564,248
Thereafter	<u>120,207,291</u>
Total	130,149,800
Less: interest	<u>(56,796,629)</u>
Present value of lease receivable	<u>\$ 73,353,171</u>

The weighted average for the remaining lease term of this operating lease is 26.1 years and the weighted average discount rate for this operating lease is 3.0%

Notes to Combined Financial Statements (continued)

PENINSULA HEALTH CARE DISTRICT

NOTE K - RETIREMENT PLAN

Plan Description: All qualified employees are eligible to participate in the District's Miscellaneous Employee Pension Plan, cost-sharing multiple employer defined benefit pension plan (the Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a miscellaneous risk pool. Plan assets may be used to pay for benefits for any employer rate plan of the miscellaneous plan. Accordingly, rate plans within the miscellaneous pool is not a separate plan. Individual employers may sponsor more than one rate plan in the miscellaneous pool. The District sponsors two rate miscellaneous rate plans. Benefit provisions under the Plan are established by State statute and District Board resolutions. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The rate plan provisions and benefits in effect at June 30, 2024 are as follows:

Hire Date	On or after <u>January 1, 2013</u>
Benefit formula	2.0% @ 62
Benefit vest after	5 years service
Benefit payments	monthly for life
Earliest retirement age	52
Required employee contribution rates	8.00%
Required employer contribution rates	8.07%

Contributions: Section 20814 (c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employees be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by the employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Notes to Combined Financial Statements (continued)

PENINSULA HEALTH CARE DISTRICT

NOTE K - RETIREMENT PLAN (continued)

Pension Liabilities (Assets), Expenses, and Deferred Outflows/Inflows of Resources: As of June 30, 2024 and 2023, the District reported pension assets for its proportionate share of the net pension asset of the Plan in the amounts of \$364,607 and \$398,044, respectively.

The District's net pension asset for the Plan is measured as the proportionate share of the net pension asset/liability. The net pension asset of the Plan is measured as of June 30, 2023, and the total pension liability for the Plan used to calculate the net pension asset was determined by an actuarial valuation as of June 30, 2022, rolled forward to June 30, 2023 using standard update procedures. The District's proportion of the net pension asset was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension asset for the Plan as of June 30, 2023 and 2024 was as follows:

Proportion - June 30, 2023	-	0.00851%
Proportion - June 30, 2024	-	0.00729%
Change - increase (decrease)	-	(0.00122)%

For the fiscal years ended June 30, 2024 and 2023, the District recognized pension (credit) expense of \$230,257 and \$760,153, respectively.

At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 75,020	
Change in assumptions		\$ 22,013
Net differences between expected and actual experience		15,737
Net differences in actual contribution and proportionate share		25,209
Change in proportions	275,630	
Net differences between projected and actual plan investment earnings		59,033
Totals of deferred outflows of resources and inflows of resources	<u>\$ 350,649</u>	<u>\$ 121,992</u>

Notes to Combined Financial Statements (continued)

PENINSULA HEALTH CARE DISTRICT

NOTE K - RETIREMENT PLAN (continued)

At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 82,095	
Change in assumptions		\$ 40,788
Net differences between expected and actual experience		2,640
Net differences in actual contribution and proportionate share		42,529
Change in proportions	427,430	
Net differences between projected and actual plan investment earnings		72,911
Totals of deferred outflows of resources and inflows of resources	<u>\$ 509,525</u>	<u>\$ 158,868</u>

For June 30, 2024, \$75,020 was reported as deferred outflows of resources related to contributions subsequent to the measurement date and was recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2024.

For June 30, 2023, \$82,095 was reported as deferred outflows of resources related to contributions subsequent to the measurement date and was recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense (credit) as follows:

Years ending June 30,

2025	\$ 120,614
2026	74,778
2027	(40,060)
2028	<u>(1,694)</u>
Total	<u>\$ 153,637</u>

Notes to Combined Financial Statements (continued)

PENINSULA HEALTH CARE DISTRICT

NOTE K - RETIREMENT PLAN (continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability: The total pension liabilities in the most recent actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions	
Discount Rate	6.90%
Inflation Rate	2.30%
Projected Salary Increase	Varies by Entry-Age and Service
Investment Rate of Return	6.90%

Discount Rate: The discount rate used to measure the total pension liability was 6.90%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 6.90% discount rate is appropriate, and the use of the municipal bond rate calculation is not deemed to be necessary.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10-years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

Notes to Combined Financial Statements (continued)

PENINSULA HEALTH CARE DISTRICT

NOTE K - RETIREMENT PLAN (continued)

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

	<u>Strategic Allocation</u>	<u>Real Return Years 1-10</u>
Global Equity	42.0%	4.28%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporations	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	<u>(5.0%)</u>	(0.59%)
Total	<u>100.00%</u>	

For the years 1-10, an expected inflation rate of 2.30% was used for this period.

Sensitivity of the Proportionate Share of the Net Pension Asset to Changes in the Discount Rate: The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 6.90%, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1% point lower (5.90%) or 1% point higher (7.90%) than the current rate:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
	5.90%	6.90%	7.90%
Proportionate Share of Net Pension Asset	\$116,004	\$364,607	\$569,229

Pension Plan Fiduciary Net Position: Detailed information about the Plan's fiduciary net positions are available in the separately issued CalPERS financial reports.

Notes to Combined Financial Statements (continued)

PENINSULA HEALTH CARE DISTRICT

NOTE L - SUBSEQUENT EVENTS

Management evaluated the effect of subsequent events on the combined financial statements through October 15, 2024, the date the combined financial statements are issued, and determined that there are no material subsequent events that have not been disclosed.

SUPPLEMENTARY SCHEDULES

Combining Statements of Net Position

PENINSULA HEALTH CARE DISTRICT

June 30, 2024

	<u>Leasing Fund</u>	<u>Dental Fund</u>	<u>Trousdale Fund</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 441,643	\$ 949,873	\$ 2,196,219
Investments		1,051,862	4,582
Restricted cash and cash equivalents			3,184,098
Accounts and leases receivable	221,186	767,153	93,404
Inventories, prepaid expenses and other	<u>10,350</u>	<u>32,409</u>	<u>105,498</u>
Total current assets	673,179	2,801,297	5,583,801
Noncurrent assets:			
Non depreciable capital assets	20,779,380		
Depreciable capital assets, net	11,251,354	748,427	61,485,828
Long-term lease receivable and other assets	<u>73,131,635</u>	<u>16,297</u>	
Total noncurrent assets	105,162,369	764,724	61,485,828
Deferred outflows of resources			
Total assets and deferred outflows of resources	<u>\$105,835,548</u>	<u>\$ 3,566,021</u>	<u>\$ 67,069,629</u>
Liabilities			
Current liabilities:			
Current maturities of debt borrowings			\$ 1,670,000
Accounts payable and accrued expenses	\$ 137,896	\$ 81,974	1,387,617
Accrued payroll and related liabilities		184,189	312,223
Unearned revenues	<u>1,169,084</u>	<u>19,720</u>	<u>59,704</u>
Total current liabilities	1,306,980	285,883	3,429,544
Noncurrent liabilities			
Debt borrowings, net of current maturities		3,664	38,320,000
Lease liabilities and tenant deposits	<u>245,928</u>		<u>17,000</u>
Total noncurrent liabilities	245,928	3,664	38,337,000
Deferred inflows of resources			
Total liabilities and deferred inflows of resources	<u>67,979,055</u>		
	69,531,963	289,547	41,766,544
Net Position			
Net investment capital assets	32,030,734	744,763	21,495,828
Restricted			7,500,000
Unrestricted (deficit)	<u>4,272,851</u>	<u>2,531,711</u>	<u>(3,692,743)</u>
Total net position	<u>36,303,585</u>	<u>3,276,474</u>	<u>25,303,085</u>
Total liabilities, deferred inflows and net position	<u>\$105,835,548</u>	<u>\$ 3,566,021</u>	<u>\$ 67,069,629</u>

Combining Statements of Net Position (continued)

PENINSULA HEALTH CARE DISTRICT

June 30, 2024

	<u>Health & Fitness</u>	<u>allcove Center</u>	<u>General District</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 118,472		\$ 2,223,049
Investments			29,465,191
Restricted cash and cash equivalents			
Accounts and leases receivable	5,758	\$ 262,132	457,517
Inventories, prepaid expenses and other	<u>2,573</u>	<u>23,837</u>	<u>80,981</u>
Total current assets	126,803	285,969	32,226,738
Noncurrent assets:			
Non depreciable capital assets			2,120,000
Depreciable capital assets, net	16,935	1,100,042	596,366
Long-term lease receivable and other assets		<u>1,007,894</u>	<u>364,607</u>
Total noncurrent assets	16,935	2,107,936	3,080,973
Deferred outflows of resources			
Total assets and deferred outflows of resources	<u>\$ 143,738</u>	<u>\$ 2,393,905</u>	<u>\$ 35,658,360</u>
Liabilities			
Current liabilities:			
Current maturities of debt borrowings			
Accounts payable and accrued expenses	\$ 7,946	\$ 386,696	\$ 363,994
Accrued payroll and related liabilities	3,565	13,395	81,395
Unearned revenues	<u>4,862</u>		
Total current liabilities	16,373	400,091	445,389
Noncurrent liabilities			
Debt borrowings, net of current maturities			
Lease liabilities and tenant deposits		<u>744,737</u>	
Total noncurrent liabilities		744,737	
Deferred inflows of resources			
Total liabilities and deferred inflows of resources	16,373	1,144,828	<u>121,992</u> 567,381
Net Position			
Net investment capital assets	16,935	1,100,042	2,716,366
Restricted			
Unrestricted	<u>110,430</u>	<u>149,035</u>	<u>32,374,613</u>
Total net position	<u>127,365</u>	<u>1,249,077</u>	<u>35,090,979</u>
Total liabilities, deferred inflows and net position	<u>\$ 143,738</u>	<u>\$ 2,393,905</u>	<u>\$ 35,658,360</u>

Combining Statements of Net Position (continued)

PENINSULA HEALTH CARE DISTRICT

June 30, 2024

	<u>Combining Total</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 5,929,256
Investments	30,521,635
Restricted cash and cash equivalents	3,184,098
Accounts and leases receivable	1,807,150
Inventories, prepaid expenses and other	<u>255,648</u>
Total current assets	41,697,787
Noncurrent assets:	
Non depreciable capital assets	22,899,380
Depreciable capital assets, net	75,198,952
Long-term lease receivable and other assets	<u>74,520,433</u>
Total noncurrent assets	172,618,765
Deferred outflows of resources	<u>350,649</u>
Total assets and deferred outflows of resources	<u><u>\$214,667,201</u></u>
Liabilities	
Current liabilities:	
Current maturities of debt borrowings	\$ 1,670,000
Accounts payable and accrued expenses	2,366,123
Accrued payroll and related liabilities	594,767
Unearned revenues	<u>1,253,370</u>
Total current liabilities	5,884,260
Noncurrent liabilities	
Debt borrowings, net of current maturities	38,323,664
Lease liabilities and tenant deposits	<u>1,007,665</u>
Total noncurrent liabilities	39,331,329
Deferred inflows of resources	<u>68,101,047</u>
Total liabilities and deferred inflows of resources	113,316,636
Net Position	
Net investment capital assets	58,104,668
Restricted	7,500,000
Unrestricted	<u>35,745,897</u>
Total net position	<u>101,350,565</u>
Total liabilities, deferred inflows and net position	<u><u>\$214,667,201</u></u>

Combining Statement of Revenues, Expenses and Changes in Net Position

PENINSULA HEALTH CARE DISTRICT

Year Ended June 30, 2024

	Leasing <u>Fund</u>	Dental <u>Fund</u>	Trousdale <u>Fund</u>
Operating revenues			
Lease revenues	\$ 3,113,798		
Dental service - net patients revenues		\$ 3,388,784	
Assisted living/memory care resident revenues			\$ 12,799,455
Fitness center revenues			
Other operating revenues		<u>22,456</u>	
Total operating revenues	<u>3,113,798</u>	<u>3,411,240</u>	<u>12,799,455</u>
Operating expenses			
Salaries and wages		3,722,270	5,583,168
Employee benefits	2,376	513,039	1,629,679
Community services and related programs	384,306	134,510	
Professional fees and registry	230,173	343,037	961,071
Supplies		355,405	970,099
Purchased services		290,794	606,190
Utilities and phone		73,873	612,170
Lease expense	378,423	41,808	
Insurance		28,714	471,538
Depreciation and amortization	344,326	298,182	2,547,340
Other operating expenses		<u>91,946</u>	
Total operating expenses	<u>1,339,604</u>	<u>5,893,578</u>	<u>13,381,255</u>
Operating income (loss)	1,774,194	(2,482,338)	(581,800)
Nonoperating revenues (expenses)			
District tax revenues			
Investment income	2,395,379	49,794	55,701
Interest expense			(1,562,189)
Interfund transfer	(1,951,634)	800,000	1,915,099
Grants and contributions		<u>1,997,485</u>	
Total nonoperating revenues (expenses)	<u>443,745</u>	<u>2,847,279</u>	<u>408,611</u>
Increase (decrease) in net position	2,217,939	364,941	(173,189)
Net position at beginning of the year	<u>34,085,646</u>	<u>2,911,533</u>	<u>25,476,274</u>
Net position at end of the year	<u>\$ 36,303,585</u>	<u>\$ 3,276,474</u>	<u>\$ 25,303,085</u>

Combining Statement of Revenues, Expenses and Changes in Net Position (continued)

PENINSULA HEALTH CARE DISTRICT

Year Ended June 30, 2024

	<u>Health & Fitness</u>	<u>allcove Center</u>	<u>General District</u>
Operating revenues			
Lease revenues			
Dental service - net patient revenues			
Assisted living/memory care resident revenues			
Fitness center revenues	\$ 136,102		
Other operating revenues		\$ 5,000	\$ 6,700
Total operating revenues	<u>136,102</u>	<u>5,000</u>	<u>6,700</u>
Operating expenses			
Salaries and wages	153,765	301,436	758,480
Employee benefits	51,404	75,222	349,900
Community services and related programs		60,631	2,426,467
Professional fees and registry	3,980	158,774	211,469
Supplies	9,090	29,341	22,765
Purchased services	47,225	25,313	42,169
Utilities and phone	16,185	5,169	19,832
Lease expense		342,017	
Insurance	3,693	25,011	74,333
Depreciation and amortization	6,059	53,464	27,075
Other operating expenses	9,071	77,824	195,251
Total operating expenses	<u>300,472</u>	<u>1,154,202</u>	<u>4,127,741</u>
Operating income (loss)	(164,370)	(1,149,202)	(4,121,041)
Nonoperating revenues (expenses)			
District tax revenues			9,864,552
Investment income	333		1,196,427
Interest expense		(45,509)	
Interfund transfer	191,839	1,919,525	(2,874,829)
Grants and contributions		524,263	
Total nonoperating revenues (expenses)	<u>192,172</u>	<u>2,398,279</u>	<u>8,186,150</u>
Increase (decrease) in net position	27,802	1,249,077	4,065,109
Net position at beginning of the year	<u>99,563</u>	<u>-0-</u>	<u>31,025,870</u>
Net position at end of the year	<u>\$ 127,365</u>	<u>\$ 1,249,077</u>	<u>\$ 35,090,979</u>

Combining Statement of Revenues, Expenses and Changes in Net Position (continued)

PENINSULA HEALTH CARE DISTRICT

Year Ended June 30, 2024

	Combining <u>Total</u>
Operating revenues	
Lease revenues	\$ 3,113,798
Dental service - net patient revenues	3,388,784
Assisted living/memory care resident revenues	12,799,455
Fitness center revenues	136,102
Other operating revenues	<u>34,156</u>
Total operating revenues	19,472,295
Operating expenses	
Salaries and wages	10,519,119
Employee benefits	2,621,620
Community services and related programs	3,005,914
Professional fees and registry	1,908,504
Supplies	1,386,700
Purchased services	1,011,691
Utilities and phone	727,229
Lease expense	762,248
Insurance	603,289
Depreciation and amortization	3,276,446
Other operating expenses	<u>374,092</u>
Total operating expenses	<u>26,196,852</u>
Operating income (loss)	(6,724,557)
Nonoperating revenues (expenses)	
District tax revenues	9,864,552
Investment income	3,697,634
Interest expense	(1,607,698)
Interfund transfers	-0-
Grants and contributions	<u>2,521,748</u>
Total nonoperating revenues (expenses)	<u>14,476,236</u>
Increase (decrease) in net position	7,751,679
Net position at beginning of the year	<u>93,598,886</u>
Net position at end of the year	<u>\$101,350,565</u>

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Independent Auditors Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

The Board of Directors
 Peninsula Health Care District
 Burlingame, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of the Peninsula Health Care District (the District) as of and for the years ended June 30, 2024 and 2023, and the related notes to the combined financial statements, which collectively comprise the District's combined financial statements, and have issued our report thereon dated October 15, 2024.

Internal Control over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's combined financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given those limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's combined financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the combined financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

JW7 & Associates, LLP

Fresno, California
October 15, 2024

allcove San Mateo's update

Jackie Almes, Youth Behavioral Health Program Manager

Marc Rappaport, Clinical Director

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Agenda

- Performance to Date
- Services Provided
- Outreach Efforts
- FY 25 Budget & Outlook
- Financial Sustainability
- Q&A
- Tour

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Performance to Date Jan – Oct 24

- Service Visits: 190
- Event Attendees: 261
- Visits for use of the space: 281



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Services Provided

- **Mental Health**
 - Individual Counseling
 - Support Groups
- **Peer Support**
 - Support Groups
 - Workshops
- **Substance Use**
 - Support Groups
 - Workshops
- **Family Support**
 - Referrals
 - Parent Informational Resources
- **Supported Education and Employment**
 - Workshops

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Outreach Efforts

Collaborative events: 11

- Jobs for Youth (2)
- CORA
- Schwab Learning Center
- Sewa AmeriCorps
- GoodforMedia
- Borel Middle School
- Crystal Springs Uplands
- Peninsula Bridge
- Star Vista and Edgewood Center for Children's and Families
- Bridge School

Community Outreach:

- Baresford community center
- Hillsdale Mall
- 25th Ave in San Mateo
- Hillsborough community center
- Downtown San Mateo
- MLK community center
- Downtown Burlingame
- Foster City community center

Presentations at schools and CBO's: 31

Tours: 518 attendees

Tabling at schools and community events: 39

Flyers given out: 4,328

Permanent Poster Fixtures at schools, rec center and libraries: 13 locations

Sent postcards out to over 14k households within PHCD district bounds



FY 25 Budget & Outlook




	YTD 9/30/2024	Budget FY 2025
Utilization		
Service Visits	158	1,723
Non-Service Visits	453	422
Total Visits	611	2,145
Revenues		
Contributions/Grants	325,809	1,274,563
Medi-Cal Insurance Billables		49,368
Other Income	45	
Total Revenue	325,854	1,323,931
Operating Expense		
Salary and Benefits Total	121,764	517,805
Clinical Partner Contract Expense	53,740	807,780
Facility Lease	93,047	367,590
Insurance	10,068	48,000
Marketing and Outreach Exp	4,720	68,000
IT/Software	2,958	27,000
Office Supplies	7,672	52,000
Meetings and Travel	0	6,000
Consulting Services	2,835	27,000
Staff Training/Education	300	7,300
YAG-Related	0	15,500
Overhead Expense	14,238	70,600
Depreciation	21,689	89,010
Total Operating Expenses	333,032	2,103,585
Net Operating Loss	(7,178)	(779,654)
Cashflow		
Add Depreciation	21,689	89,010
Furniture/Fixture	(5,629)	(1,500)
Equipment		(62,000)
Net Draw to Reserves	8,882	(754,144)

Financial Sustainability

- Medi-Cal application has been approved. Next step is to be credentialed into HPSM’s system.
- Private insurance options are being explored.
- Two grants (MHSOAC and CIBHS); total funding amount: 3.5 million*
- Sole Source funding with San Mateo County; total funding amount: 1 million*
- Potential safety risks have been addressed and a panic alarm system has been installed; staff retention remains high.
- Recently launched a post visit survey to measure allcove’s impact on the community.
- Our goal is to have a greater presence in schools and community. Holding workshops and events open to youth and the community-at-large.
- Increasing our volume and becoming a household name in the Bay Area and the first name on people’s minds when it comes to supporting local youth.



*Total funding from outside sources: 4.5 million



Questions?

allcove

find your moment.

find your space.

find your center.

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**Peninsula Health Care District
Statement of Revenues and Expenditures - Preliminary Draft, Consolidated
As of September 30, 2024**

	PHCD Year To Date 09/30/2024	allcove Year To Date 09/30/2024	health and Fitne: Year To Date 09/30/2024	The Trousdale Year To Date 09/30/2024	Sonrisas Year To Date 09/30/2024	Year To Date 09/30/2024	2024 2025 BUDGET	Budget Diff	Year Ending 06/30/2025
	Actual	Actual	Actual	Actual	Actual	Actual	BUDGET	Budget Diff	BUDGET
Revenues over Expenditures									
Revenues									
Program Service Revenue									
Program Revenue	2,515	0	0	3,300,263	0	3,302,778	3,365,345	(62,567)	23,302,076
Revenue - Services	0	0	0	0	985,583	985,583	957,607	27,976	4,029,829
Total Program Service Revenue	2,515	0	0	3,300,263	985,583	4,288,361	4,322,952	(34,591)	27,331,905
Grant Revenues	0	242,276	0	0	0	242,276	318,566	(76,290)	1,274,563
Contributions									
Grants and Donations	0	0	0	0	452,801	452,801	418,036	34,765	1,740,760
Fundraising Events Revenue	0	0	0	0	138,559	138,559	164,000	(25,441)	189,000
Total Contributions	0	0	0	0	591,360	591,360	582,036	9,324	1,929,760
Membership Dues	0	0	46,209	0	0	46,209	39,458	6,751	166,387
Investment Income									
Investment Inc - LAIF	70,213	0	0	0	0	70,213	61,869	8,344	247,477
Investment Inc - SMC	36,610	0	0	0	0	36,610	34,428	2,182	137,714
Investment Inc - CNB	174,765	0	0	0	0	174,765	220,114	(45,349)	880,455
Investment Inc - FT	21,367	0	0	0	0	21,367	21,617	(250)	86,469
Investment Inc - Torrey	0	0	0	22,112	0	22,112	21,744	368	86,974
Investment Inc - US Bank	0	0	0	950	0	950	0	950	0
Investments - Unrealized G/L	282,971	0	0	0	0	282,971	0	282,971	0
Interest Income	2,252	45	101	1,677	0	4,075	3,000	1,075	12,000
Interest Income - Leasing GASB 87	550,012	0	0	0	0	550,012	550,012	0	2,197,565
Interest Income-Heritage	0	0	0	0	433	433	600	(167)	2,400
Dividends	0	0	0	0	87	87	0	87	0
Unrealized gain(loss)-CityNational	0	0	0	0	20,497	20,497	0	20,497	0
Investment Income	0	0	0	0	8,309	8,309	5,125	3,184	20,500
Total Investment Income all	1,138,190	45	101	24,739	29,326	1,192,401	918,509	273,892	3,671,554
Rental Income									
Lease Income - Hospital	457,258	0	0	0	0	457,258	457,258	0	1,829,033
Lease Income - 1720 Marco Polo	28,891	0	0	0	0	28,891	28,891	0	117,296
Lease Income - 1740 Marco Polo	65,783	0	0	0	0	65,783	63,411	2,372	257,451
Lease Income - 111-113 16th St.	0	0	0	0	0	0	0	0	1
Lease Income - 1764 Marco Polo	187,500	0	0	0	0	187,500	187,500	0	750,000
Rental Value for Use of Facilities (rent-free)	122,538	0	0	0	0	122,538	122,538	0	490,152
Lease Income - Health & Fitness	0	0	820	0	0	820	2,273	(1,453)	9,090
Total Rental Income	861,970	0	820	0	0	862,790	861,871	919	3,453,023
Other Revenue	0	83,533	0	0	10,015	93,548	7,950	85,598	16,800
Total Revenues	2,002,675	325,854	47,130	3,325,002	1,616,284	7,316,945	7,051,342	265,603	37,843,992

	PHCD Year To Date 09/30/2024	allcove Year To Date 09/30/2024	Health and Fitness Year To Date 09/30/2024	The Trousdale Year To Date 09/30/2024	Sonrisas Year To Date 09/30/2024	Year To Date 09/30/2024			Year Ending 06/30/2025	
Expenditures										
Program Expenses										
Community Grants	0	0	0	0	0	0	0	0	0	2,009,508
Impact Partnership Grants	180,600	0	0	0	0	180,600	0	(180,600)	0	840,492
Small Grants & Sponsorships	20,950	0	0	0	0	20,950	20,000	(950)	0	100,000
Healthcare Workforce	0	0	0	0	0	0	12,500	12,500	0	50,000
Other Contributions	0	0	0	0	0	0	25,000	25,000	0	25,000
Targeted Prevention Program	0	0	0	0	0	0	75,000	75,000	0	250,000
Special Funding Initiatives	31,300	0	0	0	0	31,300	214,312	183,012	0	608,226
Community Outreach	1,944	0	0	0	0	1,944	30,000	28,056	0	100,000
Community Education	12,000	0	0	0	0	12,000	15,000	3,000	0	60,000
New Program Research & Development	688	0	0	0	0	688	62,499	61,811	0	250,000
Donated Value for Use of Facilities (rent-free)	122,538	0	0	0	0	122,538	122,538	0	0	490,152
PWC Project Cost	90,996	0	0	0	0	90,996	150,000	59,004	0	660,000
Total Program Expenses	461,016	0	0	0	0	461,016	726,849	265,833	0	5,443,378
Personnel										
Salary and Wages	196,701	94,691	44,804	1,376,740	1,045,809	2,758,745	2,877,395	118,650	0	11,576,623
PR Benefits	37,230	19,955	9,561	407,010	60,965	534,721	562,560	27,839	0	2,311,656
PR Taxes	17,186	7,118	3,265	0	76,474	104,043	139,459	35,416	0	558,135
Total Personnel	251,117	121,764	57,630	1,783,750	1,183,248	3,397,509	3,579,414	181,905	0	14,446,414
Occupancy										
Lease Expenses - 1720 Marco Polo	6,542	0	0	0	0	6,542	11,250	4,708	0	45,000
Lease Expenses - 1740 Marco Polo	39,407	0	0	0	0	39,407	31,000	(8,407)	0	121,000
Lease Expenses - 1764 Marco Polo	39,426	0	0	0	0	39,426	40,500	1,074	0	162,000
Lease Expenses - 430 No. El Camino Real	2,474	0	0	0	0	2,474	12,450	9,976	0	49,800
Lease Expenses - 1875 Trousdale	4,821	0	0	0	0	4,821	6,650	1,829	0	26,000
Lease Expenses - 111-113 16th St.	2,762	0	0	0	0	2,762	3,450	688	0	13,800
Lease Expenses - PWC Land	500	0	0	0	0	500	3,000	2,500	0	12,000
Rent Expense	0	83,696	0	0	11,952	95,648	95,648	0	0	382,592
Total Occupancy	95,932	83,696	0	0	11,952	191,580	203,948	12,368	0	812,192
Professional Fees										
Clinical Partner Contract Expense	0	53,740	0	0	0	53,740	201,945	148,205	0	807,780
Computer Accessories	0	0	0	0	466	466	3,050	2,584	0	12,200
Computer Support	0	0	0	0	19,221	19,221	22,219	2,998	0	88,875
Consultant - Accounting	0	0	0	0	0	0	0	0	0	5,250
Consultant - Audit	5,250	0	0	0	0	5,250	5,000	(250)	0	29,000
Consultant - Communications	24,000	0	0	0	0	24,000	24,000	0	0	96,000
Consultant - Financial	0	0	0	0	0	0	11,500	11,500	0	17,000
Consultant - General	3,550	0	0	0	1,300	4,850	5,687	837	0	15,750
Consultant - HR Professionals	0	0	0	0	7,800	7,800	14,048	6,248	0	41,946
Consultant - Leadership Coaching	0	0	0	0	3,041	3,041	2,000	(1,041)	0	5,000
Consultant - Legal	0	0	0	0	0	0	300	300	0	1,000
Consultant - FQHC	0	0	0	0	0	0	6,249	6,249	0	25,000
Consultant - Project Manager	0	0	0	0	13,500	13,500	9,000	(4,500)	0	9,000
Consulting Services - allcove	0	2,835	0	0	0	2,835	7,500	4,665	0	27,000
Contract Labor - Trainer	0	0	8,122	0	0	8,122	1,440	(6,682)	0	7,380
Dental Specialist-Claims Processing	0	0	0	0	15,368	15,368	16,843	1,475	0	62,678

	PHCD Year To Date 09/30/2024	allcove Year To Date 09/30/2024	Health and Fitness Year To Date 09/30/2024	The Trousdale Year To Date 09/30/2024	Sonrisas Year To Date 09/30/2024	Year To Date 09/30/2024			Year Ending 06/30/2025
IT Service Consultant	4,575	0	0	0	0	4,575	6,900	2,325	28,000
IT Support	0	1,764	0	0	0	1,764	4,500	2,736	18,000
Legal - General	13,930	0	0	0	0	13,930	15,000	1,070	60,000
Legal - Real Estate	82,475	0	0	0	0	82,475	75,000	(7,475)	300,000
Management Fees	0	0	0	132,077	0	132,077	134,614	2,537	572,085
Website Services	1,535	0	0	0	0	1,535	1,350	(185)	5,400
Total Professional Fees	135,315	58,339	8,122	132,077	60,696	394,549	568,145	173,596	2,234,344
Patient Services									
Sterilization Services	0	0	0	0	2,651	2,651	2,700	49	10,800
Lab Fees	0	0	0	0	29,564	29,564	44,662	15,098	175,736
Claims Processing	0	0	0	0	1,319	1,319	1,800	481	7,200
Patient Notification	0	0	0	0	2,394	2,394	2,400	6	9,600
Total Patient Services	0	0	0	0	35,928	35,928	51,562	15,634	203,336
General and Administrative Expenses									
Office Supplies	4,500	5,219	4,058	220,210	66,774	300,761	360,291	59,530	1,426,795
Copying and Printing	0	0	0	0	0	0	300	300	1,200
Postage and Delivery	0	0	0	0	744	744	1,087	343	4,447
Telecommunication	4,287	1,808	0	0	6,270	12,365	14,400	2,035	57,600
Repairs and Maintenance	0	1,563	0	0	0	1,563	3,251	1,688	10,000
Advertising and Promotion	0	4,720	1,715	0	5,580	12,015	51,193	39,178	136,846
Business Licenses and Permits	0	0	0	0	5,102	5,102	3,999	(1,103)	16,000
Conferences, Conventions, and Meetings	495	300	195	0	660	1,650	11,750	10,100	52,100
Due and Subscriptions	23,438	1,194	71	0	4,902	29,605	36,210	6,605	228,741
Insurance	19,152	10,068	1,322	106,818	7,843	145,203	166,277	21,074	681,832
Equipment Expense	0	0	0	0	11,969	11,969	12,039	70	48,160
Facilities	7,763	9,855	3,450	0	15,665	36,733	40,886	4,153	163,544
Utilities	0	0	5,737	160,998	14,672	181,407	178,779	(2,628)	708,172
Travel Expenses	18,335	0	215	0	1,327	19,877	30,456	10,579	87,699
Member Benefit Expense	0	0	183	0	0	183	0	(183)	0
Fundraising Fees	0	0	0	0	88,259	88,259	76,221	(12,038)	169,020
Interest Expenses	0	9,351	0	381,607	0	390,958	390,958	0	1,532,660
State and Local Taxes	0	0	0	0	0	0	0	0	250
Miscellaneous Expense	1,594	1,012	0	0	1,840	4,446	11,500	7,054	56,200
Other Expenses	2,476	2,453	9,858	225,179	35,035	275,001	289,600	14,599	1,339,705
Depreciation	92,353	21,690	1,444	631,761	75,398	822,646	840,878	18,232	3,378,141
Total General and Administrative Expenses	174,393	69,233	28,248	1,726,573	342,040	2,340,487	2,520,075	179,588	10,099,112
Total Expenditures	1,117,773	333,032	94,000	3,642,400	1,633,864	6,821,069	7,649,993	828,924	33,238,776
Payments to Affiliates									
SDH San Mateo Funding	(281,400)	0	0	0	281,400	0	0	0	0
Trousdale Rent Assistance Fund	(14,000)	0	0	14,000	0	0	0	0	0
Total Payments to Affiliates	(295,400)	0	0	14,000	281,400	0	0	0	0
Total Revenues over Expenditures	589,502	(7,178)	(46,870)	(303,398)	263,820	495,876	(598,651)	1,094,527	4,605,216

Peninsula Health Care District
Statement of Net Assets - Preliminary Draft, Consolidated
As of September 30, 2024

	PHCD Year To Date 09/30/2024	allcove Year To Date 09/30/2024	Health and Fitness Year To Date 09/30/2024	The Trousdale Year To Date 09/30/2024	Sonrisas Year To Date 09/30/2024	Year To Date 09/30/2024 Current Year Balance
	Actual	Actual	Actual	Actual	Actual	
Assets						
Current Assets						
Cash and Cash Equivalents	3,635,048	243,803	138,421	1,807,992	438,232	6,263,496
Accounts Receivable, Net						
Accounts Receivable						
Accounts Receivable-Patients	0	0	0	0	235,882	235,882
Account Receivable - Rent	4,126	0	0	0	0	4,126
Account Receivable - TT Tenant	0	0	0	58,253	0	58,253
Allowance for Bad Debt - TT Tenant AR	0	0	0	(4,419)	0	(4,419)
Accounts Receivable - Grants	0	0	0	0	685,983	685,983
Accounts Receivable - Services	0	0	3,816	0	0	3,816
Contra Acct - Allowance for Bad Debt	0	0	0	0	588	588
Accounts Receivable - Agencies	0	269,954	0	0	537,183	807,137
Accounts Receivable - Employee	302	0	0	0	0	302
Interest Receivable	262,593	0	0	14,735	0	277,327
Accounts Receivable - Other	0	0	660	2,007	0	2,668
Total Accounts Receivable	267,021	269,954	4,476	70,576	1,459,636	2,071,663
Other Current Assets						
Other Current Assets	221,536	0	0	0	0	221,536
Prepaid Expenses						
Prepaid - General	60,952	2,030	1,130	0	25,176	89,287
Prepaid - Insurance	116,960	18,896	3,061	0	0	138,917
Prepaid - Benefits / WC	966	0	0	0	0	967
Prepaid - Trousdale	0	0	0	210,165	0	210,165
Total Prepaid Expenses	178,878	20,926	4,191	210,165	25,176	439,336
Inventory	0	2,447	0	16,094	0	18,540
Total Other Current Assets	400,414	23,373	4,191	226,259	25,176	679,412
Total Current Assets	4,302,483	537,130	147,088	2,104,827	1,923,044	9,014,571
Long-term Assets						
Property & Equipment						
Building	13,102,756	0	0	72,375,688	0	85,478,444
Land	22,899,379	0	0	0	0	22,899,380
Improvements	1,022,510	865,801	7,000	341,585	1,215,321	3,452,217
Equipment	1,753,666	59,064	56,933	305,522	1,540,398	3,715,582
Furniture/Fixtures	25,703	246,541	5,783	32,985	117,651	428,664
Vehicle	0	0	0	0	48,361	48,361
Pre Opening Cost	0	0	0	2,505,662	0	2,505,662
Accum Depreciation (Trousdale)	0	0	0	(14,699,701)	0	(14,699,701)
Accum Depreciation	(4,149,266)	(75,164)	(54,214)	0	(2,230,390)	(6,509,033)
Total Property & Equipment	34,654,748	1,096,242	15,503	60,861,741	691,341	97,319,576
Other Long-term Assets						
Deposits and Prepayments	0	33,215	0	0	16,297	49,512
Other Assets						
Deferred Outflow	509,525	(83,696)	0	0	0	425,829
Right Of Use - (GASB 87)	0	976,454	0	0	0	976,454
Net Pension Asset	398,044	0	0	0	0	398,044
Lease Receivable - Long-Term (GASB 87)	73,076,872	0	0	0	0	73,076,871
Total Other Assets	73,984,441	892,758	0	0	0	74,877,198
Total Other Long-term Assets	73,984,441	925,973	0	0	16,297	74,926,710
Total Long-term Assets	108,639,189	2,022,215	15,503	60,861,741	707,638	172,246,286
Investments						
Long Term Investments						
Board Designated Fund - LAIF	6,136,415	0	0	0	0	6,136,416
Board Designated Fund - SMC	3,747,020	0	0	0	0	3,747,019
Board Designated Fund - CNB	18,228,328	0	0	0	0	18,228,328
Board Designated Fund - FT	1,784,863	0	0	0	0	1,784,864
Board Designated Fund - Torrey	0	0	0	3,206,109	0	3,206,108
Board Designated Fund - Unrealized G/L	187,242	0	0	0	0	187,242
Investment Acct. - Merrill Lynch	0	0	0	0	11,154	11,154

	PHCD Year To Date 09/30/2024	allcove Year To Date 09/30/2024	Health and Fitness Year To Date 09/30/2024	The Trousdale Year To Date 09/30/2024	Sonrisas Year To Date 09/30/2024	Year To Date 09/30/2024 Current Year Balance
	Actual	Actual	Actual	Actual	Actual	
Investment Acct. - City National Bank	0	0	0	0	1,286,507	1,286,508
Unrealized Gain(loss) - Sonrisas	0	0	0	0	33,094	33,093
Total Long Term Investments	30,083,868	0	0	3,206,109	1,330,755	34,620,732
Investment in Subsidiary						
Project Acct - US Bank 44000	0	0	0	753	0	753
Project Acct - US Bank 56000	0	0	0	197	0	198
Total Investment in Subsidiary	0	0	0	950	0	951
Total Investments	30,083,868	0	0	3,207,059	1,330,755	34,621,683
Interfund Due To/From	303,607	(260,739)	(56,869)	14,000	0	0
Total Assets	143,329,147	2,298,606	105,722	66,187,627	3,961,437	215,882,540
Liabilities and Net Assets						
Liabilities						
Short-term Liabilities						
Accounts Payable						
Accounts Payable	392,734	30,060	10,715	350,285	73,297	857,090
Accrued Payable - General	0	0	0	95,787	0	95,788
Patient Prepayments	0	0	0	0	23,723	23,722
Patient Refunds Payable	0	0	0	0	4,734	4,735
Total Accounts Payable	392,734	30,060	10,715	446,072	101,754	981,335
Accrued Liabilities						
Accrued Payroll	74,151	14,895	3,929	434,657	215,199	742,830
Accrued PTO	0	0	0	0	93,914	93,914
FSA Employee Account	200	0	0	0	0	200
Total Accrued Liabilities	74,351	14,895	3,929	434,657	309,113	836,944
Deferred Revenue						
Prepaid Rent	2,780,010	0	330	45,807	0	2,826,148
Prepaid Membership Dues	0	0	9,770	0	0	9,769
Prepaid Other	10,000	0	0	0	0	10,000
Deferred Income	3,500	0	0	0	0	3,500
Deposit - TT Tenants	0	0	0	17,000	0	17,000
Security Deposits	45,928	0	0	0	0	45,928
Total Deferred Revenue	2,839,438	0	10,100	62,807	0	2,912,345
Withholding Tax Payable						
Accrued Payroll Taxes	2,453	1,014	483	0	7,184	11,135
Total Withholding Tax Payable	2,453	1,014	483	0	7,184	11,135
Other Short-term Liabilities						
Lease Payable - Current (GASB 87)	0	352,816	0	0	0	352,816
Accrued Interest	0	0	0	254,405	0	254,405
Total Other Short-term Liabilities	0	352,816	0	254,405	0	607,221
Total Short-term Liabilities	3,308,976	398,785	25,227	1,197,941	418,051	5,348,980
Long Term Liabilities						
Notes Payable - Long Term						
Note Payable - WAB 40M	0	0	0	31,540,000	0	31,540,000
Note Payable - WAB 10M	0	0	0	8,450,000	0	8,450,000
Total Long Term Notes Payable	0	0	0	39,990,000	0	39,990,000
Other Long-term Liabilities						
Capital Leases	0	0	0	0	3,038	3,038
Lease Payable - Long-Term (GASB 87)	0	657,922	0	0	0	657,922
Deferred Inflow	67,680,665	0	0	0	0	67,680,666
Total Other Long-term Liabilities	67,680,665	657,922	0	0	3,038	68,341,626
Total Long Term Liabilities	67,680,665	657,922	0	39,990,000	3,038	108,331,626
Other Liabilities						
Deposits - ENA	200,000	0	0	0	0	200,000
Total Other Liabilities	200,000	0	0	0	0	200,000
Total Liabilities	71,189,641	1,056,707	25,227	41,187,941	421,089	113,880,606
Net Assets						
Net Assets	71,550,004	1,249,077	127,365	25,303,084	3,276,528	101,506,056
Change In Net Assets	589,502	(7,178)	(46,870)	(303,398)	263,820	495,878
Total Net Assets	72,139,506	1,241,899	80,495	24,999,686	3,540,348	102,001,934
Total Liabilities and Net Assets	143,329,147	2,298,606	105,722	66,187,627	3,961,437	215,882,540