



BOARD FINANCE COMMITTEE

Monday, November 20, 2023

4:00 pm – 5:30 pm

In-person: 1819 Trousdale Dr., Burlingame, CA 94010

Members of the Public may Join Virtually: <https://us02web.zoom.us/j/85841311101>

Meeting ID: 858 4131 1101 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 11, 2023 Minutes p. 1
3. **Draft Audited Financials – CFO Yee** p. 4
 - Discussion
 - Q&A
 - **Action, if any**
4. **Q1 Consolidated Financials – CFO Yee** p. 48
 - Q&A
 - **Action, if any**
5. **Consideration to Cancel January Meeting – CFO Yee**
6. **Future agenda items:**
 - Annual Review of Internal Control Policy & Committee Charge
 - Suggestions?
7. **Adjournment**



FINANCE COMMITTEE MEETING

Minutes

July 11, 2023

1. **Call to Order:** Meeting was called to order by **Chair Zell** at 4:05 pm.
2. **Roll Call:** Present via Zoom: Chair Zell, Director Sanchez, Member Seto, Member Sun, Member Revelo, CEO Pulido, CFO Yee.
3. **Approval of Minutes** from May 17, 2023
It was moved by Director Sanchez and seconded by Member Seto to approve the Minutes from May 17, 2023. The motion passed 6/0/1. Ayes: Chair Zell, Director Sanchez, Member Seto, Member Revelo, CEO Pulido, CFO Yee. Abstain: Member Sun.
4. **City National Bank Presentation:**

Robert Meckstroth, Senior Portfolio Manager, provided an overview of the District's investment portfolio. He touched on the economic climate, interest rates, and bond strategy and position. Given the conservative nature of the District's investment, interest rate increases by the Federal Reserve benefit the District. Below are some highlights of Mr. Meckstroth's presentation.

- Feds will maintain high-interest rates for the next 6-9 months due to inflation.
- Interest rates are at an inverted yield curve, which means short-term interest rates are higher than long-term rates.
- District's portfolio has an average maturity of 1.47 years and can take advantage of the higher short-term interest rates as the bonds mature.
- Portfolio's annual estimated income is \$335,691
- Yield to maturity is 5.31%, one of the highest rates over the past few years due to the short-term bond rates.
- The portfolio is 74% government treasuries, 23% corporate bonds, and 2% municipal bonds
- Laddered maturity – reduces maturity/duration risk
- Portfolio performance since inception is 1.02%
- 65% chance of a mild recession

The Committee noticed a significant realized loss to raise cash for the property purchase at 1764 Marco Polo Way and asked if there was a way to minimize the loss in the future, such as selling different bonds. **Mr. Meckstroth** replied that if there is some lead time, he can build up cash by not reinvesting. The bonds were sold to maintain the portfolio strategy, and there is no way to avoid a loss since the interest rate has increased. However, the bonds were generating interest income while the District held them, and the portfolio had an overall gain for the year. Overall, the portfolio is up 1.68% for the year and 1.02% since inception. **Director Sanchez** added that purchasing the property has a potential gain and should be noted.

5. Potential WAB Paydown / Cashflow:

CFO Yee provided a brief overview of the two outstanding Certificates of Participation and their balances. The current balance of the \$40M is \$32.8M, and the \$10M is \$8.7M. Currently, there is no option to paydown or payoff the \$10M, so the consideration is for the \$40M. **CFO Yee** provided a new termination fee number received a day before. The borrower will pay the bank \$200K in fees for full termination. The bank did not provide paydown numbers for the \$10M or the \$20M, but can assume they will be less than the \$200K in fees. The District currently has a cash balance of \$27M after purchasing the 1764 Marco Polo Way property. The board-restricted reserve is \$10M, which leaves \$17M of unrestricted cash. There are several projects that may require a significant amount of funds - the PWC project, plans for the 1764 Marco Polo Way building, and the new allcove teen mental health center. New borrowing may cost the District 6% compared to the current rate of 3.91%. The recommendation from staff is not to move forward with early prepayment, as numerous upcoming projects are in the pipeline.

Chair Zell asked if the staff met with Derivative Logic. **CFO Yee** replied that CEO Pulido and herself met with Rex Evans and Jim Griffin from Derivative Logic. Their company helps government entities like the District get the best rates on swap paydowns. They will not know the exact savings until they have the paydown amount.

Chair Zell commented that it makes sense to have a liquidity balance with all the upcoming projects and potential cash needs.

It was moved by Chair Zell and seconded by Director Sanchez to not move forward with the paydown of the \$40M debt service but will revisit the item if the Committee deems it necessary at a future date. The motion passed 7/0/0. Ayes: Chair Zell, Director Sanchez, Member Seto, Member Sun, Member Revelo, CEO Pulido, CFO Yee.

6. CalPERS Pension – PROs/CONS to move out of CalPERS:

CFO Yee provided some background on the past evaluation of Mr. Chang from Best, Best & Krieger in September 2020. At that time, given the relatively low employer's cost of CalPERS and a contract termination cost of approximately \$470,000, the Committee tabled the consideration of leaving CalPERS until the plan no longer has CLASSIC participants, which the fees will likely be less expensive. Currently, the plan only consists of PEPRA participants and no longer has CLASSIC members.

At the May meeting, the Committee asked staff to revisit this item. Communications with CalPERS provided broad termination fee estimates as of June 30, 2022 (one year behind). The fees range from \$150K to \$750K per plan. **CFO Yee** spoke to Mr. Chang, who suggested waiting a couple of years for the higher yields to take effect. Over the past few years, interest rates have been very low, and CalPERS investments haven't been making their expected returns. He believes the termination fees will decrease in a few years due to the higher interest rates.

CFO Yee provided two options for the Committee to consider.

1. Wait two years for the higher yields to take effect, then revisit.
2. Hire consultants to perform analysis.

Chair Zell commented that many of the City's and School's budgets go to their pension funds each year for current and past employees. When CalPERS does not meet their investment returns, all the organizations in their program need to contribute to make up the difference. Most government agencies have financial issues because of the pension cost. The cost is much higher than private

organizations. **Chair Zell** also mentioned that the current team is relatively lean and may be the best time to exit before the team expands. He believes leaving CalPERS is for the long-term sustainability of the District. Instead, he would like to offer current employees market-rate wages and quality health benefits. If the District does move out of CalPERS, the new retirement plan will be comparable so that staff do not lose benefits.

Director Sanchez commented that employee retention is vital, so the whole benefit package is important. It would be good to compare the PROs and CONs of CalPERS and the 457 plan.

Member Sun commented that the Board will need to decide if the timing is appropriate to move away from CalPERS given the low cost of the plan right now but agrees that for long-term purposes, it may not be a bad idea as long as employees are compensated or provided a comparable alternative.

Member Seto commented that it's important to take care of the employees and to consider a higher amount of employer contribution if the District chooses an alternative.

Member Revelo commented that CalPERS is a long-term liability, given his experience as a trustee at the Millbrae School District. He supports moving out of CalPERS since it's relatively inexpensive now than waiting. He agrees that a reasonable and competitive compensation benefit package can be built to attract and retain employees.

The Committee decided this consideration should be at the Board level rather than the Committee.

Member Sun left the meeting at 5:30 pm.

7. The Trousdale Earthquake Proposal/Risk Assessment Report:

The Committee had a robust discussion and was not in favor of moving forward with the insurance coverage due to the cost and amount of coverage.

It was moved by Chair Zell and seconded by Director Sanchez not to purchase earthquake insurance. The motion passed 6/0/0. Ayes: Chair Zell, Director Sanchez, Member Seto, Member Revelo, CEO Pulido, CFO Yee.

8. Future agenda

- Year-End Consolidated Financials

Adjournment: Chair Zell Adjourned the meeting at 5:45 pm.

Written by Vickie Yee, CFO

Approved by:

Dennis Zell, Chair



Audited Combined Financial Statements

**PENINSULA
HEALTH CARE DISTRICT**

June 30, 2023 and 2022

Audited Combined Financial Statements

PENINSULA HEALTH CARE DISTRICT

June 30, 2023

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Management's Discussion and Analysis

PENINSULA HEALTH CARE DISTRICT

June 30, 2023

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, 2023 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, 2023 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 \$2.6 million over the prior fiscal year due mainly to capital asset purchases. Total cash, cash equivalents and investments decreased by \$9.3 million (see the Statements of Cash Flows for changes). Accounts and leases receivable increased by \$.4 million while capital assets increased by \$12.6 million, again due mainly to capital asset purchases.
- Current assets decreased by \$9.0 million and current liabilities also increased by approximately \$2.2 million when compared to the prior fiscal year. The current ratios for current and prior years were 5.23 and 9.53, respectively.
- Operating revenues decreased only slightly while operating expenses increased by approximately \$5.4 million for the year ended June 30, 2023.
- There was an operating loss of \$8.2 million for the year ended June 30, 2023 as compared to an operating loss of \$2.8 million in the prior year.
- Non-operating revenues (expenses) increased by \$2.6 million due mainly to a \$1.1 million increase in property taxes and a \$1.4 million increase in investment income. Grants, contributions and other increased by approximately \$333,000.
- The increase in net position was \$4.0 million for the year ended June 30, 2023 as compared to an increase of \$6.7 million in the prior year.
- The continued adoption of GASB 87 resulted in the recognition of lease receivables of \$71.6 million and in the recognition of \$68.3 million in lease liabilities for a net increase in assets of \$3.3 million. Pension asset recognition resulted in an increase in asset of approximately \$239,000.

Management's Discussion and Analysis (continued)

PENINSULA HEALTH CARE DISTRICT

A summary of the District's net assets for 2023, 2022 and 2021 is as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Assets (000's)			
Current assets	\$ 36,632	\$ 45,603	\$ 39,893
Capital assets	100,272	87,673	90,106
Other assets and deferred outflows	<u>72,160</u>	<u>73,225</u>	<u>545</u>
Total	<u>\$ 209,064</u>	<u>\$ 206,501</u>	<u>\$ 130,544</u>
Liabilities (000's)			
Current liabilities	\$ 7,009	\$ 4,783	\$ 4,038
Other liabilities and deferred inflows	<u>108,456</u>	<u>112,106</u>	<u>43,670</u>
Total liabilities	115,465	116,889	47,708
Net position (000's)			
Net investment in capital	58,672	44,526	45,468
Restricted	7,500	7,650	7,640
Unrestricted	<u>27,427</u>	<u>37,436</u>	<u>29,728</u>
Total net position	<u>93,599</u>	<u>89,612</u>	<u>82,836</u>
Total	<u>\$ 209,064</u>	<u>\$ 206,501</u>	<u>\$ 130,544</u>

Cash and Investments

At fiscal year ended June 30, 2023, operating cash, cash equivalents and investments totaled \$31.5 million compared to \$40.7 million in fiscal year 2022. Days of cash on hand decreased to 554.57 as compared to 920.99 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 purchased approximately \$15.6 million of capital assets, net of a minor amount of disposals, which increased the total historical costs of capital assets to \$117.4 million with accumulated depreciation of \$17.2 million to bring net capital assets to \$100.3 million as of June 30, 2023.

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, 2023 through June 30, 2021.

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating revenues (000's)			
Lease revenues	\$ 2,180	\$ 2,192	\$ 2,965
Dental service - net patient revenues	2,928	2,725	2,091
Assisted living/memory care resident revenues	10,707	9,784	8,970
Fitness center revenues	134	114	23
Other operating revenues	<u>4</u>	<u>1,166</u>	<u>202</u>
Total operating revenues	15,953	15,981	14,251
Operating expenses (000's)			
Salaries and wages	9,107	7,783	7,214
Employee benefits	2,832	918	1,764
Community services and related programs	3,319	2,592	2,997
Professional fees and registry	1,586	1,045	667
Supplies	1,272	1,043	1,221
Purchased services	829	756	679
Utilities and phone	692	604	546
Building and equipment rent	599	285	321
Insurance	557	494	437
Depreciation and amortization	3,046	3,036	2,967
Other operating expenses	<u>308</u>	<u>230</u>	<u>492</u>
Total operating expenses	<u>24,147</u>	<u>18,786</u>	<u>19,305</u>
Operating income (loss)	(8,194)	(2,805)	(5,054)
Nonoperating revenues (expenses) (000's)			
District tax revenues	9,611	8,535	8,462
Investment income (loss)	2,752	1,359	81
Interest expense	(1,699)	(1,698)	(1,749)
Forgiveness of debt borrowings		201	596
Grants, contributions and other	<u>1,517</u>	<u>1,184</u>	<u>1,243</u>
Total nonoperating revenues (expenses)	<u>12,181</u>	<u>9,581</u>	<u>8,633</u>
Increase (decrease) in net position	<u>\$ 3,987</u>	<u>\$ 6,776</u>	<u>\$ 3,579</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 service revenues increased in 2023 by approximately \$145,000 over 2022 due mainly to increased volumes. The assisted living/memory care resident revenues also increased by approximately \$981,000 over the prior year. The increase, in part, is attributable to the continued recovery from the impact of COVID-19. In 2021, programs were greatly affected by various governmental restrictions and added protocols to minimize the spread of COVID during the height of the pandemic.

Operating Expenses

Total operating expenses in fiscal year 2023 were \$24.1 million compared to \$18.8 million in 2022. Significant changes occurred in the following areas:

- Total salaries and wages increased by approximately \$1.3 million due to additional FTE's and market-rate adjustments to meet an increase in program utilization. Employee benefit increased by approximately \$1.9 million mainly from a decrease in pension adjustment in the prior year and an increase in 2023.
- Community services and related programs increased by approximately \$728,000 over the prior year. Professional fees and registry also increased by approximately \$541,000 over the prior year, mainly due to the use of registry for staffing needs at the assisted living/memory care community. Hiring and staffing retention continues to be a challenge.
- Supplies increased by approximately \$229,000 over the prior year due mainly to increased occupancy at the assisted living/memory care community.
- Depreciation increased only slightly.
- 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, 2023 and 2022 follows:

	<u>2023</u>	<u>2022</u>
Leasing fund	\$ 2,531,367	\$ 3,109,513
Sonrisas Dental Health services	(39,601)	(432,458)
The Trousdale assisted living/memory care	(1,215,089)	(2,203,838)
PHCD health & fitness center	39,033	(200,487)
General district operations	<u>2,671,566</u>	<u>6,503,094</u>
	<u>\$ 3,987,276</u>	<u>\$ 6,775,824</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, 2024 capital and operating budgets at a recent 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.

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.

San Mateo allcove Teen Mental Health 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, social 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 set to open towards the end of 2023.

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 works with organizations that share the same vision through education, prevention and access to basic health services. Every year the District board identifies the most pressing community health needs and establishes funding priorities for the grant term. For the 2024 cycle, the focus areas are: (1) Health Equity, (2) Mental Health, (3) Preventive Health, and (4) Health Aging.

Management's Discussion and Analysis (continued)

PENINSULA HEALTH CARE DISTRICT

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 development 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 2024 projects a slight decrease in net position with additions to both income and expense.

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, 2023 and 2022, 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, 2023 and 2022, 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 25, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

QW7 & Associates, LLP

Fresno, California
October 25, 2023

Combined Statements of Net Position

PENINSULA HEALTH CARE DISTRICT

	June 30	
	<u>2023</u>	<u>2022</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 6,560,582	\$ 5,449,997
Investments	24,897,290	35,289,783
Restricted cash and cash equivalents for current purposes	3,151,974	3,287,394
Accounts and leases receivable- current portion	1,800,586	1,408,484
Inventories, prepaid expenses and other current assets	<u>221,953</u>	<u>167,762</u>
Total current assets	36,632,385	45,603,420
Noncurrent assets:		
Non depreciable capital assets	23,143,967	15,390,822
Depreciable capital assets, net of accumulated depreciation	77,128,196	72,282,334
Long term lease receivables and other assets	<u>71,650,651</u>	<u>72,397,662</u>
Total noncurrent assets	171,922,814	160,070,818
Deferred outflows of resources	<u>509,525</u>	<u>826,692</u>
Total assets and deferred outflows of resources	<u>\$209,064,724</u>	<u>\$206,500,930</u>
Liabilities		
Current liabilities:		
Current maturities of debt borrowings	\$ 1,605,000	\$ 1,545,000
Accounts payable and accrued expenses	2,809,769	2,098,455
Accrued payroll and related liabilities	625,112	684,683
Unearned revenues	<u>1,968,952</u>	<u>455,180</u>
Total current liabilities	7,008,833	4,783,318
Noncurrent liabilities:		
Debt borrowings, net of current maturities	39,995,603	41,602,408
Lease liabilities and tenant deposits	<u>1,382,871</u>	<u>1,699,130</u>
Total noncurrent liabilities	41,378,474	43,301,538
Deferred inflows of resources	<u>67,078,531</u>	<u>68,804,464</u>
Total liabilities and deferred inflows of resources	115,465,838	116,889,320
Net Position		
Net investment in capital assets	58,671,560	44,525,748
Restricted	7,500,000	7,649,565
Unrestricted	<u>27,427,326</u>	<u>37,436,297</u>
Total net position	<u>93,598,886</u>	<u>89,611,610</u>
Total liabilities, deferred inflows and net position	<u>\$209,064,724</u>	<u>\$206,500,930</u>

See accompanying notes and auditors' report

Combined Statements of Revenues and Expenses

PENINSULA HEALTH CARE DISTRICT

	Year Ended June 30	
	<u>2023</u>	<u>2022</u>
Operating revenues		
Lease revenues	\$ 2,180,118	\$ 2,191,784
Dental service - net patient revenues	2,921,728	2,724,850
Assisted living/memory care resident revenues	10,707,184	9,784,179
Fitness center revenues	134,049	113,583
Other operating revenues	<u>9,657</u>	<u>1,165,847</u>
Total operating revenues	15,952,736	15,980,243
Operating expenses		
Salaries and wages	9,106,766	7,782,392
Employee benefits	2,831,956	918,435
Community services and related programs	3,319,196	2,591,601
Professional fees and registry	1,586,049	1,044,925
Supplies	1,271,850	1,042,957
Purchased services	828,500	756,217
Utilities and phone	691,749	604,307
Lease expense	578,269	285,207
Insurance	556,900	493,608
Depreciation and amortization	3,046,554	3,036,037
Other operating expenses	<u>308,290</u>	<u>230,264</u>
Total operating expenses	<u>24,146,595</u>	<u>18,785,950</u>
Operating income (loss)	(8,193,859)	(2,805,707)
Nonoperating revenues (expenses)		
District tax revenues	9,611,604	8,535,437
Investment income	2,752,200	1,359,377
Interest expense	(1,699,376)	(1,698,539)
Forgiveness of debt borrowings		201,105
Grants and contributions	<u>1,516,707</u>	<u>1,184,151</u>
Total nonoperating revenues (expenses)	<u>12,181,135</u>	<u>9,581,531</u>
Increase in net position	3,987,276	6,775,824
Net position at beginning of the year	<u>89,611,610</u>	<u>82,835,786</u>
Net position at end of the year	<u>\$ 93,598,886</u>	<u>\$ 89,611,610</u>

See accompanying notes and auditor's report

Combined Statements of Cash Flows

PENINSULA HEALTH CARE DISTRICT

	Year Ended June 30	
	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Cash received from assisted living/memory care and other revenues	\$ 12,420,999	\$ 10,767,155
Cash received from dental service - net patient revenues	2,540,851	2,523,749
Cash received from tenants	525,110	448,318
Cash payments to suppliers and contractors	(8,593,336)	(6,717,202)
Cash payments to employees and benefit programs	<u>(11,320,235)</u>	<u>(9,534,498)</u>
Net cash (used in) operating activities	(4,426,611)	(2,512,478)
Cash flows from noncapital financing activities:		
District tax revenues	9,611,604	8,535,437
Forgiveness of debt borrowings		201,105
Grants and contributions	<u>1,516,707</u>	<u>1,184,151</u>
Net cash provided by noncapital financing activities	11,128,311	9,920,693
Cash flows from capital and related financing activities:		
Purchase of capital assets, disposals and other asset changes	(15,645,563)	(602,854)
Principal payments on debt borrowings	(1,546,805)	(1,692,418)
Interest on debt borrowings	<u>(1,699,376)</u>	<u>(1,698,539)</u>
Net cash (used in) capital financing activities	(18,891,744)	(3,993,811)
Cash flows from investing activities:		
Change in restricted cash and cash equivalents	135,420	(23,645)
Investment income	<u>2,752,200</u>	<u>1,359,377</u>
Net cash provided by (used in) investing activities	<u>2,887,620</u>	<u>1,335,732</u>
Net increase in cash, cash equivalents and investments	(9,281,908)	4,750,136
Cash, cash equivalents and investments at beginning of year	<u>40,739,780</u>	<u>35,989,644</u>
Cash, cash equivalents and investments at end of year	<u>\$ 31,457,872</u>	<u>\$ 40,739,780</u>

See accompanying notes and auditor's report

Combined Statements of Cash Flows (continued)

PENINSULA HEALTH CARE DISTRICT

	Year Ended June 30	
	<u>2023</u>	<u>2022</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ (8,193,859)	\$ (2,805,707)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	3,046,554	3,036,037
Changes in operating assets and liabilities:		
Patient accounts receivables	(380,877)	(201,101)
Rent receivables	77,012	(96,586)
Lease and other receivables	325,305	(316,398)
Inventories, prepaid expenses and other assets	(54,191)	17,896
Accounts payable and accrued expenses	622,174	281,792
Accrued payroll and related liabilities	(59,571)	152,889
Unearned revenues	1,513,772	19,944
Lease payables, net	(1,989,033)	(1,676,583)
Tenant deposits	(11,955)	61,898
Pension related accounts	<u>678,058</u>	<u>(986,559)</u>
Net cash (used in) operating activities	<u>\$ (4,426,611)</u>	<u>\$ (2,512,478)</u>

See accompanying notes and auditor's report

Notes to Combined Financial Statements

PENINSULA HEALTH CARE DISTRICT

June 30, 2023

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 through education, prevention 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.

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, however the Corporation had no transactions to report on during the years ended June 30, 2023 and 2022.

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 four 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.

The financial results of these four 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, 2023 and 2022 amount to \$21,563 and \$20,097, 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, 2023 and 2022, 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 \$71,101,950, pension assets of \$398,044 and deposits of \$150,657 for a total of \$71,650,651. As of June 30, 2022, other assets are comprised of long-term lease receivables of \$71,619,257, pension assets of \$731,513 and deposits of \$46,892 for a total of \$72,397,662. 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, 2023 and 2022 were \$83,588 and \$102,397, 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, 2023 and 2022, respectively.

District Tax Revenues: The District receives approximately 32% 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 four 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, 2023 and 2022, the District had deposits with various financial institutions in the form of operating cash and cash equivalents amounting to \$6,560,384 and \$5,599,363. 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, 2023 and 2022, \$6,060,380 and \$4,183,321, 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, 2023 and 2022.

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, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Interest receivable	\$ 192,110	\$ 115,632
Rent receivable	42,572	119,584
Patient accounts receivable, net of allowances	458,589	404,531
Grants and other agency receivables	503,610	382,103
Leases receivable - current portion	517,306	372,732
Other miscellaneous receivables	<u>86,399</u>	<u>13,902</u>
Total accounts receivable, net of allowances	<u>\$ 1,800,586</u>	<u>\$ 1,408,484</u>

NOTE D - RESTRICTED CASH AND CASH EQUIVALENTS

Restricted cash and cash equivalents as of June 30, 2023 and 2022 were comprised of the following:

	<u>2023</u>	<u>2022</u>
Restricted for the following various purposes:		
Sonrisas donor restricted cash and cash equivalents		\$ 149,565
Certificate of deposits - restricted per loan covenant	<u>\$ 3,151,974</u>	<u>3,137,829</u>
	3,151,974	3,287,394
Less restricted cash available for current purposes	<u>(3,151,974)</u>	<u>(3,287,394)</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, 2023 and 2022:

<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 mutual funds	3,156,839	3,156,839		
U.S. Treasury obligations	8,666,159	3,412,160	\$ 5,253,999	
Corporate bonds	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>

<i>As of June 30, 2022</i>	Fair Value	Investment Maturities in Years		
		Less than 1	1 to 5	Over 5
Local agency investment fund	\$ 5,745,426	\$ 5,745,426		
San Mateo County treasury	3,529,254	3,529,254		
Money market mutual funds	4,217,349	4,217,349		
U.S. Treasury obligations	14,723,137	1,884,887	\$ 12,838,250	
U. S. Agency securities	685,766		685,766	
Corporate bonds	5,377,529	1,340,966	4,036,563	
Municipal bonds	309,306		309,306	
Certificates of deposit	3,839,834		3,839,834	\$
Total investments	<u>\$ 38,427,601</u>	<u>\$ 16,717,882</u>	<u>\$ 21,709,719</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, 2023 and 2022 investments at Level 1 were \$15,464,578 and \$19,935,558, respectively. The District's June 30, 2023 and 2022 investments at Level 2 were \$-0- and \$5,377,529, respectively. There were no investments at Level 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, 2022</u>	<u>Additions</u>	<u>Retirements</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> </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>
	<u>June 30, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2022</u>
Capital assets not being depreciated				
Land	<u>\$15,390,822</u>	<u>\$</u>	<u>\$</u>	<u>\$15,390,822</u>
Total	<u>\$15,390,822</u>	<u>\$</u>	<u>\$</u>	<u>\$15,390,822</u>
Capital assets being depreciated				
Buildings and improvements	82,485,693	\$ 364,463		82,850,156
Equipment	<u>3,424,472</u>	<u>238,393</u>	<u>\$</u>	<u>3,662,865</u>
Total	85,910,165	602,856		86,513,021
Less accumulated depreciation for:				
Buildings and improvements	(8,479,180)	(1,203,529)		(9,682,709)
Equipment	<u>(2,715,470)</u>	<u>(1,832,508)</u>	<u> </u>	<u>(4,547,978)</u>
Total accumulated depreciation	<u>(11,194,650)</u>	<u>(3,036,037)</u>	<u> </u>	<u>(14,230,687)</u>
Total assets being depreciated	<u>\$ 74,715,515</u>	<u>\$ (2,433,181)</u>	<u>\$</u>	<u>\$ 72,282,334</u>
Total capital assets, net	<u>\$ 90,106,337</u>	<u>\$ (2,433,181)</u>	<u>\$</u>	<u>\$ 87,673,156</u>

Notes to Combined Financial Statements (continued)

PENINSULA HEALTH CARE DISTRICT

NOTE H - DEBT BORROWINGS

As of June 30, 2023 and 2022, debt borrowings were as follows:

	<u>2023</u>	<u>2022</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:	\$ 32,815,000	\$ 34,040,000
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:	8,780,000	9,100,000
Minor capital leases	<u>5,203</u>	<u>7,408</u>
	41,600,603	43,147,408
Less current maturities of debt borrowings	<u>(1,605,000)</u>	<u>(1,545,000)</u>
	<u>\$ 39,995,603</u>	<u>\$ 41,602,408</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: \$1,605,000 in 2024; \$1,670,000 in 2025; \$1,735,000 in 2026; \$1,805,000 in 2027 and \$1,875,000 in 2028. Thereafter maturities are \$32,905,000.

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, 2023, the District has recorded \$244,587 as construction-in-progress representing cost capitalized for improvements at the teen mental health center. Estimated future costs to complete the projects as of June 30, 2023 is \$802,194.

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, 2023 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, 2023 and 2022.

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 three additional buildings to various tenants. 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 \$426,762 and \$435,332 for the years ended June 30, 2023 and 2022, 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, 2023 and 2022 were \$66,873 and \$66,873, 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 allcove teen mental health services under an operating lease located at 2600 El Camino Real. Lease commencement occurred on June 1, 2022. Remaining terms for the lease is 47 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, 2023 and 2022 consist of the following:

Assets:	<u>2023</u>	<u>2022</u>
Operating lease asset - current receivable portion	\$ 318,958	\$ 308,595
Operating lease asset - noncurrent receivable portion	<u>1,000,309</u>	<u>1,319,267</u>
Total lease assets	<u>\$ 1,319,267</u>	<u>\$ 1,627,862</u>
Liabilities:		
Operating lease payable - current portion	\$ 324,819	\$ 235,679
Operating lease payable - noncurrent portion	<u>1,102,407</u>	<u>1,406,710</u>
Total lease liabilities	<u>\$ 1,427,226</u>	<u>\$ 1,642,389</u>

Total operating lease expense under this lease arrangement for the year ended June 30, 2023 was \$334,784 and the related interest expense was \$54,466.

The future minimum rental payments required under operating lease obligations as of June 30, 2023, having initial or remaining non-cancelable lease terms in excess of one year are summarized as follows:

Years ending June 30,

2024	\$ 374,386
2025	385,622
2026	397,194
2027	374,077
Thereafter	<u>-0-</u>
Total	1,531,279
Less: interest	<u>(104,053)</u>
Present value of lease liabilities	<u>\$ 1,427,226</u>

The weighted average for the remaining lease term of this operating lease is 3.9 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, 2023 and 2022 were \$1,753,354 and \$1,747,854, respectively. The related interest income for the years ended June 30, 2023 and 2022 were \$2,110,047 and \$2,105,220, respectively.

Lessor-lease related assets and liabilities as of June 30, 2023 and 2022 consist of the following:

Assets:	<u>2023</u>	<u>2022</u>
Lease receivable - current portion	\$ 198,348	\$ 64,137
Lease receivable - noncurrent portion	<u>70,101,642</u>	<u>70,299,990</u>
Total lease assets	<u>\$ 70,299,990</u>	<u>\$ 70,364,127</u>
Deferred inflows of resources:		
Deferred inflows of resources	<u>66,919,662</u>	<u>68,673,018</u>
Total lease liabilities	<u>\$ 66,919,662</u>	<u>\$ 68,673,018</u>

The future minimum rental payments required under operating lease obligations as of June 30, 2023, having initial or remaining non-cancelable lease terms in excess of one year are summarized as follows:

Years ending June 30,

2024	\$ 2,304,635
2025	2,304,635
2026	2,304,635
2027	2,442,913
Thereafter	<u>117,328,012</u>
Total	126,684,830
Less: interest	<u>(56,384,840)</u>
Present value of lease receivable	<u>\$ 70,299,990</u>

The weighted average for the remaining lease term of this operating lease is 38.1 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, 2023 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	7.25%
Required employer contribution rates	7.65%

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, 2023 and 2022, the District reported pension assets for its proportionate share of the net pension asset of the Plan in the amounts of \$398,044 and \$731,513, 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, 2022, 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, 2021, rolled forward to June 30, 2022 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, 2021 and 2022 was as follows:

Proportion - June 30, 2021	-	0.03852%
Proportion - June 30, 2022	-	0.00851%
Change - increase (decrease)	-	(0.03002)%

For the fiscal years ended June 30, 2023 and 2022, the District recognized pension (credit) expense of \$760,153 and \$(986,559), respectively.

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
	<u> </u>	<u> </u>
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>

Notes to Combined Financial Statements (continued)

PENINSULA HEALTH CARE DISTRICT

NOTE K - RETIREMENT PLAN (continued)

At June 30, 2022, 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	\$ 77,741	
Change in assumptions		
Net differences between expected and actual experience		82,031
Net differences in actual contribution and proportionate share		49,514
Change in proportions	110,379	
Net differences between projected and actual plan investment earnings	<u>638,572</u>	
Totals of deferred outflows of resources and inflows of resources	<u>\$ 826,692</u>	<u>\$ 131,446</u>

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. For June 30, 2022, \$77,741 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, 2022. 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,

2024	\$ 119,938
2025	118,686
2026	74,532
2027	<u>(44,595)</u>
Total	<u>\$ 268,561</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, 2020
Measurement Date	June 30, 2022
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	6.80%

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	\$177,282	\$398,044	\$579,677

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 25, 2023, 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, 2023

	<u>Leasing Fund</u>	<u>Dental Fund</u>	<u>Trousdale Fund</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 759,977	\$ 598,017	\$ 1,590,445
Investments		1,015,925	2,042
Restricted cash and cash equivalents			3,151,974
Accounts and leases receivable	200,643	785,408	43,713
Inventories, prepaid expenses and other	<u>351</u>	<u>53,537</u>	<u>100,092</u>
Total current assets	960,971	2,452,887	4,888,266
Noncurrent assets:			
Non depreciable capital assets	20,779,380		
Depreciable capital assets, net	11,595,680	905,793	63,988,733
Long-term lease receivable and other assets	<u>70,101,641</u>	<u>16,297</u>	<u></u>
Total noncurrent assets	102,476,701	922,090	63,988,733
Deferred outflows of resources			
Total assets and deferred outflows of resources	<u>\$103,437,672</u>	<u>\$ 3,374,977</u>	<u>\$ 68,876,999</u>
Liabilities			
Current liabilities:			
Current maturities of debt borrowings			\$ 1,605,000
Accounts payable and accrued expenses	\$ 556,277	\$ 122,163	1,470,856
Accrued payroll and related liabilities	222	311,056	242,710
Unearned revenues	<u>1,875,864</u>	<u>24,622</u>	<u>65,659</u>
Total current liabilities	2,432,363	457,841	3,384,225
Noncurrent liabilities			
Debt borrowings, net of current maturities		5,603	39,990,000
Lease liabilities and tenant deposits	<u></u>	<u></u>	<u>26,500</u>
Total noncurrent liabilities		5,603	40,016,500
Deferred inflows of resources			
Total liabilities and deferred inflows of resources	<u>66,919,663</u>	<u></u>	<u></u>
	69,352,026	463,444	43,400,725
Net Position			
Net investment capital assets	32,375,060	900,190	22,393,733
Restricted			7,500,000
Unrestricted (deficit)	<u>1,710,586</u>	<u>2,011,343</u>	<u>(4,417,459)</u>
Total net position	<u>34,085,646</u>	<u>2,911,533</u>	<u>25,476,274</u>
Total liabilities, deferred inflows and net position	<u>\$103,437,672</u>	<u>\$ 3,374,977</u>	<u>\$ 68,876,999</u>

Combining Statements of Net Position (continued)

PENINSULA HEALTH CARE DISTRICT

June 30, 2023

	<u>Health & Fitness</u>	<u>General District</u>	<u>Combining Total</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 85,151	\$ 3,526,992	\$ 6,560,582
Investments		23,879,323	24,897,290
Restricted cash and cash equivalents			3,151,974
Accounts and leases receivable	615	770,207	1,800,586
Inventories, prepaid expenses and other	<u>3,090</u>	<u>64,883</u>	<u>221,953</u>
Total current assets	88,856	28,241,405	36,632,385
Noncurrent assets:			
Non depreciable capital assets		2,364,587	23,143,967
Depreciable capital assets, net	22,994	614,996	77,128,196
Long-term lease receivable and other assets		<u>1,532,713</u>	<u>71,650,651</u>
Total noncurrent assets	22,994	4,512,296	171,922,814
Deferred outflows of resources			
Total assets and deferred outflows of resources	<u>\$ 111,850</u>	<u>\$ 33,263,226</u>	<u>\$209,064,724</u>
Liabilities			
Current liabilities:			
Current maturities of debt borrowings			\$ 1,605,000
Accounts payable and accrued expenses	\$ 5,893	\$ 654,580	2,809,769
Accrued payroll and related liabilities	3,587	67,537	625,112
Unearned revenues	<u>2,807</u>		<u>1,968,952</u>
Total current liabilities	12,287	722,117	7,008,833
Noncurrent liabilities			
Debt borrowings, net of current maturities			39,995,603
Lease liabilities and tenant deposits		<u>1,356,371</u>	<u>1,382,871</u>
Total noncurrent liabilities		1,356,371	41,378,474
Deferred inflows of resources			
Total liabilities and deferred inflows of resources	12,287	<u>2,237,356</u>	<u>115,465,838</u>
Net Position			
Net investment capital assets	22,994	2,979,583	58,671,560
Restricted			7,500,000
Unrestricted	<u>76,569</u>	<u>28,046,287</u>	<u>27,427,326</u>
Total net position	<u>99,563</u>	<u>31,025,870</u>	<u>93,598,886</u>
Total liabilities, deferred inflows and net position	<u>\$ 111,850</u>	<u>\$ 33,263,226</u>	<u>\$209,064,724</u>

Combining Statement of Revenues, Expenses and Changes in Net Position

PENINSULA HEALTH CARE DISTRICT

Year Ended June 30, 2023

	Leasing <u>Fund</u>	Dental <u>Fund</u>	Trousdale <u>Fund</u>
Operating revenues			
Lease revenues	\$ 2,180,118		
Dental service - net patients revenues		\$ 2,921,728	
Assisted living/memory care resident revenues			\$ 10,707,184
Fitness center revenues			
Other operating revenues		<u>5,736</u>	
Total operating revenues	<u>2,180,118</u>	<u>2,927,464</u>	<u>10,707,184</u>
Operating expenses			
Salaries and wages	93,523	3,188,833	4,712,263
Employee benefits	44,306	405,320	1,373,643
Community services and related programs	699,383	153,537	
Professional fees and registry	96,211	113,723	1,049,837
Supplies		353,610	884,691
Purchased services		207,472	518,434
Utilities and phone		139,101	539,346
Lease expense	226,960	41,808	
Insurance		29,515	453,785
Depreciation and amortization	153,704	288,027	2,564,792
Other operating expenses	<u>588</u>	<u>107,172</u>	
Total operating expenses	<u>1,314,675</u>	<u>5,028,118</u>	<u>12,096,791</u>
Operating income (loss)	865,443	(2,100,654)	(1,389,607)
Nonoperating revenues (expenses)			
District tax revenues			
Investment income	2,194,581	6,992	18,089
Interest expense		(22,759)	(1,622,150)
Interfund transfer	(528,657)	900,000	1,778,579
Grants and contributions		<u>1,176,820</u>	
Total nonoperating revenues (expenses)	<u>1,665,924</u>	<u>2,061,053</u>	<u>174,518</u>
Increase (decrease) in net position	2,531,367	(39,601)	(1,215,089)
Net position at beginning of the year	<u>31,554,279</u>	<u>2,951,134</u>	<u>26,691,363</u>
Net position at end of the year	<u>\$ 34,085,646</u>	<u>\$ 2,911,533</u>	<u>\$ 25,476,274</u>

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

PENINSULA HEALTH CARE DISTRICT

Year Ended June 30, 2023

	<u>Health & Fitness</u>	<u>General District</u>	<u>Combining Total</u>
Operating revenues			
Lease revenues			\$ 2,180,118
Dental service - net patient revenues			2,921,728
Assisted living/memory care resident revenues			10,707,184
Fitness center revenues	\$ 134,049		134,049
Other operating revenues	<u>3,183</u>	<u>\$ 738</u>	<u>9,657</u>
Total operating revenues	137,232	738	15,952,736
Operating expenses			
Salaries and wages	174,983	937,164	9,106,766
Employee benefits	74,589	934,098	2,831,956
Community services and related programs		2,466,276	3,319,196
Professional fees and registry	3,920	322,358	1,586,049
Supplies	7,429	26,120	1,271,850
Purchased services	43,033	59,561	828,500
Utilities and phone	13,302		691,749
Lease expense		330,017	598,785
Insurance	2,786	70,814	556,900
Depreciation and amortization	12,801	27,230	3,046,554
Other operating expenses	<u>13,052</u>	<u>187,478</u>	<u>308,290</u>
Total operating expenses	<u>345,895</u>	<u>5,361,116</u>	<u>24,146,595</u>
Operating income (loss)	(208,663)	(5,360,378)	(8,193,859)
Nonoperating revenues (expenses)			
District tax revenues		9,611,604	9,611,604
Investment income	78	532,460	2,752,200
Interest expense		(54,467)	(1,699,376)
Interfund transfer	247,618	(2,397,540)	-0-
Grants and contributions		<u>339,887</u>	<u>1,516,707</u>
Total nonoperating revenues (expenses)	<u>247,696</u>	<u>8,031,944</u>	<u>12,181,135</u>
Increase (decrease) in net position	39,033	2,671,566	3,987,276
Net position at beginning of the year	<u>60,530</u>	<u>28,354,304</u>	<u>89,611,610</u>
Net position at end of the year	<u>\$ 99,563</u>	<u>\$ 31,025,870</u>	<u>\$ 93,598,886</u>

JWT & Associates, LLP

A Certified Public Accountancy Limited Liability Partnership

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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, 2023 and 2022, 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 25, 2023.

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 25, 2023

Peninsula Health Care District
Statement of Revenues and Expenditures - Preliminary Draft, Consolidated
As of September 30, 2023

	PHCD	Health and Fitness	The Trousdale	Sonrisas	Year To Date			Year Ending
	Year To Date 9/30/2023	Year To Date 9/30/2023	Year To Date 9/30/2023	Year To Date 9/30/2023	09/30/2023			06/30/2024
	Actual	Actual	Actual	Actual	Actual	2023 2024 BUDGET	Budget Diff	2023 2024 BUDGET
Revenues over Expenditures								
Revenues								
Program Service Revenue								
Program Revenue	16,616	0	3,005,091	0	3,021,707	2,946,754	74,953	21,395,773
Revenue - Services	0	0	0	794,550	794,550	881,333	(86,783)	3,765,221
Total Program Service Revenue	16,616	0	3,005,091	794,550	3,816,257	3,828,087	(11,830)	25,160,994
Grant Revenues	0	0	0	0	0	131,068	(131,068)	524,263
Contributions								
Grants and Donations	0	0	0	542,591	542,591	327,999	214,592	1,535,000
Fundraising Events Revenue	0	0	0	143,907	143,907	125,000	18,906	130,000
Total Contributions	0	0	0	686,498	686,498	452,999	233,498	1,665,000
Membership Dues	0	32,176	0	0	32,175	26,906	5,270	128,530
Investment Income								
Investment Inc - LAIF	50,699	0	0	0	50,699	41,077	9,623	164,308
Investment Inc - SMC	29,619	0	0	0	29,619	22,780	6,838	91,121
Investment Inc - CNB	113,252	0	0	0	113,252	102,479	10,774	409,916
Investment Inc - FT	20,664	0	0	0	20,664	18,057	2,606	72,227
Investment Inc - Torrey	0	0	3,578	0	3,578	3,542	36	14,168
Investment Inc - US Bank	0	0	1,718	0	1,718	0	1,719	0
Investments - Unrealized G/L	(11,576)	0	0	0	(11,576)	0	(11,576)	0
Interest Income - PHCD	1,929	71	1,067	0	3,067	150	2,959	900
Interest Income - Leasing GASB 87	527,127	0	0	0	527,127	527,128	0	2,106,287
Interest Income - Sonrisas	0	0	0	643	643	126	475	504
Dividends	0	0	0	133	133	0	133	0
Total Investment Income all	731,714	71	6,363	776	738,924	715,339	23,587	2,859,431
Rental Income								
Lease Income - Hospital	426,135	0	0	0	426,135	438,338	(12,204)	1,753,355
Lease Income - 1720 Marco Polo	40,451	0	0	0	40,451	41,027	(577)	136,109
Lease Income - 1740 Marco Polo	63,119	0	0	0	63,119	69,158	(6,039)	276,631
Lease Income - 111-113 16th St.	0	0	0	0	0	0	0	1
Lease Income - 1764 Marco Polo	187,500	0	0	0	187,500	187,500	0	750,000
Lease Income - Health & Fitness	0	820	0	0	820	773	47	3,090
Total Rental Income	717,205	820	0	0	718,025	736,796	(18,773)	2,919,186
Other Revenue								
Nursing Grant/Loan Repayments	450	0	0	0	450	450	0	1,800
Other Income	0	0	0	32	32	0	33	0
Unrealized gain(loss)-CityNational	0	0	0	2,825	2,825	0	2,825	0
Investment Income	0	0	0	7,132	7,132	4,626	2,506	18,504

	PHCD	Health and Fitness	The Trousdale	Sonrisas	Year To Date			Year Ending
	Year To Date 9/30/2023	Year To Date 9/30/2023	Year To Date 9/30/2023	Year To Date 9/30/2023	09/30/2023			06/30/2024
	Actual	Actual	Actual	Actual	Actual	2023 2024 BUDGET	Budget Diff	2023 2024 BUDGET
Total Other Revenue	450	0	0	9,989	10,439	5,076	5,364	20,304
Total Revenues	1,465,985	33,067	3,011,454	1,491,813	6,002,318	5,896,271	106,048	33,277,708
Expenditures								
Program Expenses								
Community Grants	175,000	0	0	0	175,000	250,000	75,000	1,133,000
Impact Partnership Grants	0	0	0	0	0	0	0	742,000
Other Contributions & Grants	13,132	0	0	0	13,132	31,248	18,116	125,000
Targeted Prevention Program	200,001	0	0	0	200,001	62,499	(137,502)	250,000
Special Funding Initiatives	67,911	0	0	0	67,911	110,553	42,642	417,218
Community Outreach	676	0	0	0	676	18,750	18,074	75,000
Community Education	11,000	0	0	0	11,000	14,667	3,667	50,000
New Program Research & Development	0	0	0	0	0	62,499	62,499	250,000
PWC Project Cost	148,394	0	0	0	148,394	150,000	1,606	660,000
Total Program Expenses	616,114	0	0	0	616,114	700,216	84,102	3,702,218
Personnel								
Salary and Wages	198,035	34,606	1,328,759	911,777	2,473,177	2,683,558	210,380	10,925,317
PR Benefits	39,270	9,280	388,720	48,739	486,009	523,056	37,049	2,171,574
PR Taxes	17,816	2,931	0	68,753	89,500	121,711	32,211	495,935
Total Personnel	255,121	46,817	1,717,479	1,029,269	3,048,686	3,328,325	279,640	13,592,826
Occupancy								
Lease Expenses - 1720 Marco Polo	8,900	0	0	0	8,900	9,000	100	36,000
Lease Expenses - 1740 Marco Polo	22,740	0	0	0	22,740	24,999	2,259	100,000
Lease Expenses - 1764 Marco Polo	26,044	0	0	0	26,044	29,652	3,608	118,609
Lease Expenses - 430 No. El Camino Real	3,940	0	0	0	3,940	11,250	7,310	45,000
Lease Expenses - 1875 Trousdale	5,772	0	0	0	5,772	6,000	228	24,000
Lease Expenses - 111-113 16th St.	2,407	0	0	0	2,407	3,600	1,194	14,400
Lease Expenses - PWC Land	500	0	0	0	500	3,000	2,500	12,000
Rent	0	0	0	10,452	10,452	10,452	0	41,808
Rent Expense	83,696	0	0	0	83,696	82,665	(1,032)	330,659
Total Occupancy	153,999	0	0	10,452	164,451	180,618	16,167	722,476
Professional Fees								
IT Service Consultant	8,502	0	0	0	8,502	4,500	(4,002)	18,000
Consultant - Financial	5,122	0	0	0	5,122	1,250	(3,872)	5,000
Consultant - Communications	24,000	0	0	0	24,000	21,000	(3,000)	84,000
Website Services	1,335	0	0	0	1,335	1,050	(285)	4,200
Contract Labor - Trainer	0	1,300	0	0	1,300	1,320	20	5,280
Dental Specialist-Claims Processing	0	0	0	13,698	13,698	15,636	1,937	65,675
Consultant - General	0	0	0	26,525	26,525	0	(26,525)	18,200
Consultant - HR Professionals	0	0	0	9,400	9,400	7,800	(1,600)	31,200
Consultant-Accounting	0	0	0	0	0	0	0	5,000
Consultant-Project Manager	0	0	0	0	0	18,000	18,000	72,000
Consultant-Outreach System	0	0	0	0	0	3,750	3,750	15,000
Consultant-FQHC	0	0	0	0	0	7,500	7,500	33,267

	PHCD Year To Date 9/30/2023	Health and Fitness Year To Date 9/30/2023	The Trousdale Year To Date 9/30/2023	Sonrisas Year To Date 9/30/2023	Year To Date 09/30/2023			Year Ending 06/30/2024
	Actual	Actual	Actual	Actual	Actual	2023 2024 BUDGET	Budget Diff	2023 2024 BUDGET
IT Support	0	0	0	0	0	1,500	1,500	6,000
Consulting Services	4,845	0	0	0	4,845	25,000	20,155	46,000
Clinical Partner Contract Expense	0	0	0	0	0	201,809	201,809	1,507,363
Management Fees	0	0	120,231	0	120,231	117,870	(2,361)	515,831
Consultant - Leadership Coaching	0	0	0	4,125	4,125	3,000	(1,125)	32,500
Legal - General	2,879	0	0	0	2,879	15,000	12,121	60,000
Legal - Real Estate	64,199	0	0	0	64,199	75,000	10,801	300,000
Consultant - Audit	9,450	0	0	0	9,450	5,000	(4,450)	27,500
Consultant - Legal	0	0	0	154	154	0	(154)	0
Total Professional Fees	120,332	1,300	120,231	53,902	295,765	525,985	230,219	2,852,016
Patient Services								
Sterilization Services	0	0	0	2,525	2,525	2,524	0	10,098
Lab Fees	0	0	0	30,117	30,117	38,301	8,183	162,482
Claims Processing	0	0	0	1,836	1,836	1,410	(426)	5,640
Patient Notification	0	0	0	2,394	2,394	2,400	6	9,600
Total Patient Services	0	0	0	36,872	36,872	44,635	7,763	187,820
General and Administrative Expenses								
Office Supplies	5,528	1,105	232,378	82,051	321,062	350,947	29,885	1,435,130
Copying and Printing	0	0	0	0	0	300	300	1,950
Postage and Delivery	0	0	0	845	845	1,152	307	4,608
Telecommunication	4,648	0	0	34,525	39,173	41,112	1,939	152,168
Repairs and Maintenance	0	0	0	1,013	1,013	0	(1,013)	0
Advertising and Promotion	418	0	0	5,592	6,010	54,911	48,901	117,090
Business Licenses and Permits	0	0	0	5,412	5,412	3,000	(2,411)	12,000
Conferences, Conventions, and Meetings	3,020	0	0	1,725	4,745	8,750	4,004	26,600
Due and Subscriptions	15,614	22	0	0	15,636	15,105	(530)	153,570
Insurance	26,045	696	115,431	6,402	148,574	156,051	7,477	637,767
Equipment Expense	0	0	0	6,551	6,551	11,604	5,053	47,416
Facilities	9,007	2,300	0	12,645	23,952	32,935	8,981	132,286
Utilities	0	3,468	147,045	12,402	162,915	169,309	6,394	658,894
Travel Expenses	12,886	0	0	1,061	13,947	15,795	1,849	68,563
Fundraising Fees	0	0	0	86,379	86,379	64,353	(22,025)	135,626
Interest Expenses	12,252	0	396,933	0	409,185	409,013	(173)	1,606,293
Finance Charges	0	0	0	5,858	5,858	6,000	143	24,000
State and Local Taxes	0	0	0	0	0	250	250	250
Miscellaneous Expense	10,695	0	0	107	10,802	36,975	26,172	57,900
Other Expenses	1,941	6,268	300,636	4,428	313,273	208,479	(104,794)	715,686
Depreciation	61,798	1,010	428,405	73,604	564,817	842,374	277,558	3,370,997
Total General and Administrative Expenses	163,852	14,869	1,620,828	340,600	2,140,149	2,428,415	288,267	9,358,794
Total Expenditures	1,309,418	62,986	3,458,538	1,471,095	6,302,037	7,208,194	906,158	30,416,150
Payments to Affiliates								
SDH San Mateo Funding	(259,800)	0	0	259,800	0	0	0	0
Trousdale Rent Assistance Fund	(51,166)	0	51,166	0	0	0	0	0

Total Payments to Affiliates
Total Revenues over Expenditures

PHCD Year To Date 9/30/2023	Health and Fitness Year To Date 9/30/2023	The Trousdale Year To Date 9/30/2023	Sonrisas Year To Date 9/30/2023	Year To Date 09/30/2023			Year Ending 06/30/2024	
Actual	Actual	Actual	Actual	Actual	2023 2024 BUDGET	Budget Diff	2023 2024 BUDGET	
(310,966)	0	51,166	259,800	0	0	0	0	
(154,399)	(29,919)	(395,918)	280,518	(299,719)	(1,311,923)	1,012,206	2,861,558	

Peninsula Health Care District
Statement of Net Assets - Preliminary Draft, Consolidated
As of September 30, 2023

	PHCD Year To Date 9/30/2023	Health and Fitness Year To Date 9/30/2023	The Trousdale Year To Date 9/30/2023	Sonrisas Year To Date 9/30/2023	Year To Date 9/30/2023 Current Year Balance
	Actual	Actual	Actual	Actual	Balance
Assets					
Current Assets					
Cash and Cash Equivalents	2,481,785.41	91,873.71	1,216,946.50	915,471.33	4,706,076.95
Accounts Receivable					
Accounts Receivable	62.50	0.00	0.00	285,346.33	285,408.83
Account Receivable - Rent	(187.94)	592.26	0.00	0.00	404.32
Account Receivable - TT Tenant	0.00	0.00	138,038.49	0.00	138,038.49
Allowance for Bad Debt - TT Tenant AR	0.00	0.00	(61,167.76)	0.00	(61,167.76)
Accounts Receivable - Grants	0.00	0.00	0.00	259,801.00	259,801.00
Accounts Receivable - Services	0.00	1,160.00	0.00	0.00	1,160.00
Contra Acct - Allowance for Bad Debt	0.00	0.00	0.00	(21,248.65)	(21,248.65)
Accounts Receivable - Other Agencies	0.00	0.00	0.00	187,207.28	187,207.28
Accounts Receivable - Employee	55.00	0.00	0.00	0.00	55.00
Interest Receivable	186,040.77	0.00	2,373.15	0.00	188,413.92
Accounts Receivable - Other	0.00	40.00	4,013.74	0.00	4,053.74
Total Accounts Receivable	185,970.33	1,792.26	83,257.62	711,105.96	982,126.17
Other Current Assets					
Other Current Assets	64,137.37	0.00	0.00	0.00	64,137.37
Prepaid Expenses					
Prepaid - General	42,300.37	721.03	0.00	51,533.82	94,555.22
Prepaid - Insurance	100,135.31	8,616.49	0.00	0.00	108,751.80
Prepaid - Benefits / WC	1,257.74	0.00	0.00	0.00	1,257.74
Prepaid - Trousdale	0.00	0.00	216,695.79	0.00	216,695.79
Total Prepaid Expenses	143,693.42	9,337.52	216,695.79	51,533.82	421,260.55
Inventory	0.00	0.00	19,310.16	0.00	19,310.16
Total Other Current Assets	207,830.79	9,337.52	236,005.95	51,533.82	504,708.08
Total Current Assets	2,875,586.53	103,003.49	1,536,210.07	1,678,111.11	6,192,911.20
Long-term Assets					
Property & Equipment					
Construction-In-Progress (CIP)	945,332.02	0.00	0.00	0.00	945,332.02
Building	13,102,755.18	0.00	72,375,688.59	0.00	85,478,443.77
Land	22,899,379.59	0.00	0.00	0.00	22,899,379.59
Improvements	1,021,019.90	7,000.00	307,008.74	1,202,486.39	2,537,515.03
Equipment	1,751,910.36	56,932.41	305,330.56	1,508,521.77	3,622,695.10
Furniture/Fixtures	233,991.97	5,783.44	18,787.25	134,795.71	393,358.37
Pre Opening Cost	0.00	0.00	2,505,661.73	0.00	2,505,661.73
Accum Depreciation (Trousdale)	0.00	0.00	(11,949,349.40)	0.00	(11,949,349.40)
Accum Depreciation	(3,747,310.01)	(47,731.38)	0.00	(1,982,542.25)	(5,777,583.64)
Total Property & Equipment	36,207,079.01	21,984.47	63,563,127.47	863,261.62	100,655,452.57
Other Long-term Assets					
Deposits and Prepayments	30,215.00	0.00	0.00	16,297.00	46,512.00
Other Assets					
Deferred Outflow	2,054,234.31	0.00	0.00	0.00	2,054,234.31
Net Pension Asset	731,513.00	0.00	0.00	0.00	731,513.00
Lease Receivable - Long-Term (GASB 87)	70,186,821.32	0.00	0.00	0.00	70,186,821.32
Total Other Assets	72,972,568.63	0.00	0.00	0.00	72,972,568.63
Total Other Long-term Assets	73,002,783.63	0.00	0.00	16,297.00	73,019,080.63
Total Long-term Assets	109,209,862.64	21,984.47	63,563,127.47	879,558.62	173,674,533.20
Investments					
Long Term Investments					
Board Designated Fund - LAIF	5,890,964.32	0.00	0.00	0.00	5,890,964.32
Board Designated Fund - SMC	3,615,363.69	0.00	0.00	0.00	3,615,363.69
Board Designated Fund - CNB	15,188,218.56	0.00	0.00	0.00	15,188,218.56
Board Designated Fund - FT	1,705,983.72	0.00	0.00	0.00	1,705,983.72
Board Designated Fund - Torrey	0.00	0.00	3,155,548.70	0.00	3,155,548.70
Board Designated Fund - Unrealized G/L	(314,849.22)	0.00	0.00	0.00	(314,849.22)
Investment Acct. - Merrill Lynch	0.00	0.00	0.00	10,793.17	10,793.17

	PHCD Year To Date 9/30/2023	Health and Fitness Year To Date 9/30/2023	The Trousdale Year To Date 9/30/2023	Sonrisas Year To Date 9/30/2023	Year To Date 9/30/2023
	Actual	Actual	Actual	Actual	Current Year Balance
Investment Acct. - City National	0.00	0.00	0.00	1,007,929.77	1,007,929.77
Unrealized Gain(loss) on Investment	0.00	0.00	0.00	(4,108.29)	(4,108.29)
Total Long Term Investments	26,085,681.07	0.00	3,155,548.70	1,014,614.65	30,255,844.42
Investment in Subsidiary					
Project Acct - US Bank 44000	0.00	0.00	1,416.32	0.00	1,416.32
Project Acct - US Bank 56000	0.00	0.00	302.48	0.00	302.48
Total Investment in Subsidiary	0.00	0.00	1,718.80	0.00	1,718.80
Total Investments	26,085,681.07	0.00	3,157,267.50	1,014,614.65	30,257,563.22
Interfund Due from	(3,807.25)	(47,358.75)	51,166.00	0.00	0.00
Total Assets	138,167,322.99	77,629.21	68,307,771.04	3,572,284.38	210,125,007.62
Liabilities and Net Assets					
Liabilities					
Short-term Liabilities					
Accounts Payable					
Accounts Payable	510,736.57	1,816.47	508,954.90	104,519.57	1,126,027.51
Accrued Payable - General	453,665.81	1,738.16	464,378.04	0.00	919,782.01
Patient Prepayments	0.00	0.00	0.00	20,066.07	20,066.07
Patient Refunds Payable	0.00	0.00	0.00	2,320.82	2,320.82
Total Accounts Payable	964,402.38	3,554.63	973,332.94	126,906.46	2,068,196.41
Accrued Liabilities					
Accrued Payroll	61,728.49	378.25	334,932.32	96,010.63	493,049.69
Accrued PTO	0.00	0.00	0.00	83,587.86	83,587.86
Accrued 401k Funds Payable	0.00	0.00	0.00	10,555.43	10,555.43
Accrued HSA Fund Payable	0.00	0.00	0.00	(1,108.10)	(1,108.10)
FSA Employee Account	719.38	0.00	0.00	2,838.79	3,558.17
Total Accrued Liabilities	62,447.87	378.25	334,932.32	191,884.61	589,643.05
Deferred Revenue					
Prepaid Rent	3,285,092.28	0.00	18,030.17	0.00	3,303,122.45
Prepaid Membership Dues	0.00	3,715.60	0.00	0.00	3,715.60
Prepaid Other	10,000.00	0.00	0.00	0.00	10,000.00
Deferred Income	3,500.00	0.00	0.00	0.00	3,500.00
Deposit - TT Tenants	0.00	0.00	41,500.00	0.00	41,500.00
Security Deposits	53,963.67	0.00	0.00	0.00	53,963.67
Total Deferred Revenue	3,352,555.95	3,715.60	59,530.17	0.00	3,415,801.72
Withholding Tax Payable					
Accrued Payroll Taxes	1,882.24	336.55	0.00	54,848.96	57,067.75
Total Withholding Tax Payable	1,882.24	336.55	0.00	54,848.96	57,067.75
Other Short-term Liabilities					
Short-term Liabilities					
Lease Payable - Current (GASB 87)	235,679.13	0.00	0.00	0.00	235,679.13
Accrued Interest	0.00	0.00	264,622.08	0.00	264,622.08
Total Other Short-term Liabilities	235,679.13	0.00	264,622.08	0.00	500,301.21
Total Short-term Liabilities	4,616,967.57	7,985.03	1,632,417.51	373,640.03	6,631,010.14
Long Term Liabilities					
Notes Payable - Long Term					
Note Payable - WAB 40M	0.00	0.00	32,815,000.00	0.00	32,815,000.00
Note Payable - WAB 10M	0.00	0.00	8,780,000.00	0.00	8,780,000.00
Total Long Term Notes Payable	0.00	0.00	41,595,000.00	0.00	41,595,000.00
Other Long-term Liabilities					
Capital Leases	0.00	0.00	0.00	4,885.93	4,885.93
Lease Payable - Long-Term (GASB 87)	1,110,436.20	0.00	0.00	0.00	1,110,436.20
Deferred Inflow	66,612,772.11	0.00	0.00	0.00	66,612,772.11
Total Other Long-term Liabilities	67,723,208.31	0.00	0.00	4,885.93	67,728,094.24
Total Long Term Liabilities	67,723,208.31	0.00	41,595,000.00	4,885.93	109,323,094.24
Other Liabilities					
Deposits - ENA	200,000.00	0.00	0.00	0.00	200,000.00
Total Other Liabilities	200,000.00	0.00	0.00	0.00	200,000.00
Total Liabilities	72,540,175.88	7,985.03	43,227,417.51	378,525.96	116,154,104.38
Net Assets					
Net Assets	65,781,544.81	99,563.11	25,476,272.37	2,913,240.05	94,270,620.34
Change In Net Assets	(154,397.71)	(29,918.92)	(395,918.84)	280,518.37	(299,717.10)
Total Net Assets	65,627,147.10	69,644.19	25,080,353.53	3,193,758.42	93,970,903.24

	PHCD Year To Date 9/30/2023	Health and Fitness Year To Date 9/30/2023	The Trousdale Year To Date 9/30/2023	Sonrisas Year To Date 9/30/2023	Year To Date 9/30/2023
	Actual	Actual	Actual	Actual	Current Year Balance
Total Liabilities and Net Assets	138,167,322.98	77,629.22	68,307,771.04	3,572,284.38	210,125,007.62