Eden Township Healthcare District

Independent Auditor's Report,
Management Discussion and Analysis,
Consolidated Financial Statements and
Supplemental Information

June 30, 2013 and 2012

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Eden Township Healthcare District
Castro Valley, California

We have audited the accompanying consolidated financial statements of Eden Township Healthcare District, as of and for the year ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2013 and 2012, and the changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 - 7 be presented to supplement the basic financial statements. Such information, although not a part of the 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 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, 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 basic financial statements, and other knowledge we obtained during our audit of the 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The combining statements of net position and revenues, expenses and changes in net position are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Armanino LLP

Armanino LLP
San Ramon, California

October 29, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Eden Township Healthcare District's (the "District") annual financial report includes some of management's insights and analysis of the District's financial performance for the years ended June 30, 2013 and 2012.

INTRODUCTION TO THE BASIC FINANCIAL STATEMENTS

The annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This standard is applicable to the District because it is a political subdivision of the State of California.

The financial statements include: the statements of net position, the statements of revenues, expenses and changes in net position and the statements of cash flows. These statements are supported in the annual report by the notes to the financial statements and this section. All sections should be considered together to obtain a complete understanding of the financial picture of the District.

Statements of Net Position include all assets and liabilities. Assets and liabilities are reported on an accrual basis, as of the statement date.

Statements of Revenues, Expenses and Changes in Net Position present the revenues earned and expenses incurred during the years then ended on an accrual basis.

Statements of Cash Flows present the inflows and outflows of cash, summarized by operating, capital and related financing and investing activities. The statements are prepared using the direct method of cash flows, and therefore, present gross rather than net amounts for the years' operating activities.

FINANCIAL OVERVIEW

A summary of key financial statement information is used as a basis for reviewing current year results in comparison with the prior years.

	As of June 30,		
	2013	2012	2011
ASSETS:			
Current assets	$ 4,285,003	$ 5,767,924	$ 7,266,128
Other non-current assets	11,323,437	14,677,294	21,387,601
Capital assets	80,672,262	81,146,016	94,774,617
Total assets	$ 96,280,702	$ 101,591,234	$ 123,428,346
LIABILITIES			
Current liabilities	$ 2,223,199	$ 48,996,246	$ 6,821,377
Non-current liabilities	44,917,367	-	48,202,398
Total liabilities	47,140,566	48,996,246	55,023,775
NET POSITION	49,140,136	52,594,988	68,404,571
Total liabilities and net position	$ 96,280,702	$ 101,591,234	$ 123,428,346

Net position at June 30, 2013 decreased to $49,140,136 from $52,594,988 in 2012. Capital assets decreased by $473,754 primarily due to investing funds of $1,597,710 in tenant improvements, and $228,628 in building improvements at Dublin Gateway Center and $1,232,469 to complete the construction of Eden Medical Building (EMB). These investments were then offset by current year depreciation expense of $3,518,807. Other non-current assets decreased by $3,353,857 primarily due to a decrease in investments of $4,799,185 which was offset with an increase of $1,305,884 in notes receivable. The note was issued to a tenant in Dublin Gateway Center (DGC) to assist them in paying for tenant improvements. The decrease in investments was primarily attributable to paying down the Dublin Gateway Center loan payable. Current liabilities decreased by $46,972,836, and non-current liabilities increased by $44,917,367, primarily due to the restructuring of the note payable in February 2013. The note is now due in February 2016. The District also drew $1,300,237 on a separate line of credit to pay for tenant improvements; the line of credit is due upon demand. Principal payments made toward the note of $175,706, coupled with a lump sum payment of $5,000,000 against the note, offset by the addition of $3,300,237 to the existing lines of credit contributed to an overall decrease to total loans payable of $1,875,469.

	For the Years Ended June 30,		
	2013	2012	2011
OPERATING RESULTS:			
Operating revenues:			
Rental income	$ 3,763,330	$ 3,114,698	$ 3,215,788
Tenant reimbursements	669,091	486,737	466,099
	4,432,421	3,601,435	3,681,887
Operating expenses:			
Salaries and Benefits	367,255	355,089	180,489
Purchased services	1,063,169	991,053	1,938,913
Rental property operating and maintenance	1,142,905	989,657	1,221,688
Taxes	382,017	380,317	376,544
Grants to service providers	134,195	(5,970,710)	78,025
Amortization	153,547	363,863	381,688
Depreciation	3,518,807	3,708,066	3,892,361
	6,761,895	817,335	8,069,708
Operating profit/(loss)	(2,329,474)	2,784,100	(4,387,821)
Net nonoperating revenues (expenses)	(1,125,378)	(18,593,683)	(849,947)
Change in net position	(3,454,852)	(15,809,583)	(5,237,768)
Net position, beginning of year	52,594,988	68,404,571	73,642,339
Net position, end of year	$ 49,140,136	$ 52,594,988	$ 68,404,571

For the year ending June 30, 2013, the District recognized a net operating loss of $2,329,474, compared to a net operating profit of $2,784,100 for the year ending June 30, 2012. For the year ended June 30, 2013, operating revenue increased to $4,432,421 from $3,601,435 in 2012. Of this increase $659,990 is from two new tenants at Dublin Gateway Center coupled with a full year of rental income from an existing tenant. Eden Medical Building's operating revenue increased by $133,136 and San Leandro Medical Arts Building had an increase of $37,860.

For the year ending June 30, 2013, the District's operating loss was $2,329,474 compared to an operating profit of $2,784,100 for the fiscal year ending June 30, 2012. In fact, the operating loss for the fiscal year 2013 was lower than the operating loss for 2012, if you factor out the $6,000,000 in grants that were canceled in the fiscal year ending June 30, 2012. Without the effect of this unusual transaction, the net loss for the fiscal year ending June 30, 2012 would have been $3,215,900. The loss in the current fiscal year was then $886,426 less than the prior year. This was due to increased revenues of $4,432,421 compared to the prior year's revenue of $3,601,435. Of this increase $659,990 is from two new tenants at Dublin Gateway Center coupled with a full year of rental income from an existing tenant. Eden Medical Building's operating revenue increased by $133,136 and San Leandro Medical Arts Building had an increase of $37,860. For the year ending June 30, 2013, operating expenses decreased $55,439 to $6,761,895 from the prior year's adjusted expenses of $6,817,335 (adjusted for the $6,000,000 grants canceled). The grants written off were $5,000,000 for the development of Eden Medical Center's Neuroscience Center and $1,000,000 for the Women's Health Services Department, which were not requested. The grants were canceled due to the expiration of the statute of limitations on government contracts, which is one year since both of these grants were many years old.

Other factors contributing to the expense increase in 2013 were election expense of $180,223 and title transfer fees of $115,830. The title transfer fees were the result of transferring the Districts ownership of San Leandro Hospital to Sutter Health. The new Eden Medical Building was placed into service in September 2012. Amortization decreased by $210,315 primarily due to the reduction of goodwill amortization expense associated with the San Leandro Hospital write off in 2012. Depreciation expense decreased by $189,259, due to the San Leandro Hospital asset being written off. This reduction was offset with an increase in depreciation associated with the capitalization of the new Eden Medical Building. Operating expenses for the new building compared to the temporary building decreased $44,068. The primary expense contributing to the decrease was a reduction in rental expense for the trailers. San Leandro Medical Arts Building had a decrease of $31,047. This decrease was primarily attributable to reductions in HVAC and plumbing repairs.

Net non-operating expenses decreased by $17,468,305 in 2013. The decrease in expense was primarily due to San Leandro Hospital being written off in 2012, with a recognized loss of $17,367,203. Other non-operating revenues increased $300,000 due to the receipt of a partnership distribution from San Leandro Surgery Center. Additionally, interest income decreased by $108,333 and the loss on the fair value of investments increased $77,848. These decreases were attributable to the use of cash to pay down the Dublin Gateway Center loan, fund tenant improvements and the completion of the construction of the new Eden Medical Building. Interest expense decreased $87,283 as a result of a lower loan balance and lower interest rate for the refinanced Dublin Gateway Center loan.

	For the Years Ended June 30,		
	2013	2012	2011
NET POSITION:			
Net Investment in capital assets	$ 35,754,895	$ 33,052,943	$ 46,572,219
Restricted	3,354,019	4,603,617	5,444,193
Unrestricted	10,031,222	14,938,428	16,388,159
Total net position	$ 49,140,136	$ 52,594,988	$ 68,404,571

At June 30, 2013, total net position decreased by $3,454,852. Net investment in capital assets increased $2,701,952. This was due to a net capital asset decrease of $473,754 and a net reduction in the Dublin Gateway Center loan payable of $3,175,706. Restricted net assets decreased by $1,249,598 due to the release of funds to pay for tenant improvements at the Dublin Gateway Center. Unrestricted net assets decreased by $4,907,206 primarily due to reductions in cash and investments.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The District's capital assets include land, construction in progress, land improvements, buildings, tenant improvements and equipment. At June 30, 2013 and 2012, the District's investment in capital assets totaled $80,672,262 and $81,146,016 respectively. During 2013, the District's additions to depreciable capital assets were $3,019,130 of which $1,610,866 was related to tenant improvements, $1,380,279 were building improvements and $27,987 was for equipment. The balance of construction in progress at June 30, 2013 was $23,309.

At June 30, 2013 the District's outstanding balance for long-term loans payable was $44,917,367 compared to $48,093,073 as of June 30, 2012. At June 30, 2012 the loan was classified as short-term since the loan was due in February, 2013. The decrease of $3,175,706 was due to principal payments on the Dublin Gateway Center loan of $175,706 during fiscal year coupled with a lump sum payment of $5,000,000 when the loan was refinanced in February 2013. These principal payments were offset with an additional $2,000,000 added to the existing line of credit which is secured by the Eden Medical Building, San Leandro Medical Arts Building and $3,326,397 of marketable securities. The bank loan was obtained during fiscal year 2007 as partial financing for the purchase of the DGC property. The loan payable matured on June 1, 2010 and a temporary loan was obtained for the outstanding balance of $48,202,398 until September 1, 2010. The loan was modified again on September 27, 2010. The loan's total commitment was reduced to $40,500,000 which will mature October 1, 2012. A new secured line of credit was executed simultaneously for the remaining balance of $7,702,398. The line of credit was executed to increase the bank's total security on the outstanding principal balance at September 1, 2010 of $48,202,398. The principal of $7,702,398 on the line of credit was secured by the San Leandro Medical Arts Building and $3,300,000 of marketable securities. The maturity date is October 1, 2012. On June 2, 2011 a third modification was made which increased the collateral an additional $2,000,000 and required the District to begin paying down the principal based on a percentage of specific excess cash flows from Dublin Gateway Center. A fourth modification was made on March 14, 2012 where the District is required to maintain unencumbered liquid assets of at least $15,000,000. A fifth modification was made on September 28, 2012 which extended the maturity date of the note and line of credit from October 1, 2012 to February 1, 2013. A sixth modification was made on January 31, 2013 where the notes total commitment was reduced to $35,214,969 and the District made a principal payment of $5,000,000. The notes maturity date was extended to February 1, 2016 and the District was no longer required to pay down the principal based on 50% of all excess cash flow from Dublin Gateway Center. The required unencumbered liquid assets were also reduced from $15,000,000 to $8,000,000. An advance of $2,000,000 was extended to the existing line of credit bringing the new principal balance to $9,702,397. The line of credit was secured by the Eden Medical Building, San Leandro Medical Arts and marketable securities of $3,326,397. The maturity date is February 1, 2016.

The District also has a line of credit with a lender for a maximum amount of $6,000,000 due upon demand, bearing an interest rate of Libor plus 1.75%. The loan is secured by the District's investments that the lender has under its possession and control. The loan balance was $1,300,237 and $0 as of June 30, 2013 and 2012, respectively.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

On June 30, 2013, the District has three rental properties for which income and expenses are included in the fiscal year 2013-2014 budget. The San Leandro Medical Arts Building continues to be occupied by long-term tenants and a few newer tenants with less than 10% vacancy. The building produces positive cash flow and is expected to increase as rents gradually increase. Capital investments continue to be made and rents are slowly recovering to market. The warm shell of the new Eden Medical Building construction was substantially complete by March 2012. The tenant improvements were completed in late August 2012 and the first tenants occupied their suites in September 2012. The Eden Medical Building has had positive cash flow from first occupancy. In the fall, two new tenants will occupy their suites on the third floor, bringing the vacancy to just below 40%. Rent from the new tenants will add about $250,000 of rent income annually. The Dublin Gateway Center has had significant positive cash flow in the fiscal year just ended and this should increase as the full year's effect of the first floor tenant rents are accounted for in fiscal year 2014. Further, we are negotiating final terms on the last unimproved space on the third floor of building one, which should add around $200,000 per year in additional rental income. The District's rental revenues should continue to increase as rents firm up over the entire Bay Area.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The District's financial report is designed to provide the District's Board of Directors, management, creditors, legislative and oversight agencies, citizens and others with an overview of the District's finances and to demonstrate its accountability for funds received. For additional information about this report, please contact the District's office at 20400 Lake Chabot Road Suite 104, Castro Valley, CA 94546.

BASIC FINANCIAL STATEMENTS

EDEN TOWNSHIP HEALTHCARE DISTRICT
Statements of Net Position
June 30, 2013 and 2012

	2013	2012
Assets		
Current assets:		
Cash and equivalents	$ 674,937	$ 859,549
Restricted cash and investments	3,353,269	4,602,867
Receivable - other	28,105	-
Accounts receivable - tenants	100,610	124,595
Interest receivable	85,927	79,519
Prepaid expense	42,155	101,394
Total current assets	4,285,003	5,767,924
Other assets:		
Investments	7,681,259	12,480,444
Deposit	750	750
Goodwill, net	429,775	468,845
Notes receivable	2,455,884	1,150,000
Prepaids and deposits	755,769	577,255
	11,323,437	14,677,294
Capital assets:		
Nondepreciable	11,023,309	19,899,731
Depreciable	69,648,953	61,246,285
Total capital assets, net	80,672,262	81,146,016
Total assets	$ 96,280,702	$ 101,591,234
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 641,697	$ 562,445
Interest payable	95,213	128,211
Security deposits held	126,914	94,874
Unearned rent	59,138	117,643
Loan payable	1,300,237	48,093,073
Total current liabilities	2,223,199	48,996,246
Loan payable	44,917,367	-
Total non-current liabilities	44,917,367	-
Total liabilities	47,140,566	48,996,246
Net position		
Net investment in capital assets	35,754,895	33,052,943
Restricted	3,354,019	4,603,617
Unrestricted	10,031,222	14,938,428
Total net position	49,140,136	52,594,988
Total liabilities and net position	$ 96,280,702	$ 101,591,234

The accompanying notes are an integral part of these financial statements.

EDEN TOWNSHIP HEALTHCARE DISTRICT
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2013 and 2012

	2013	2012
Operating revenues		
Rental income	$ 3,763,330	$ 3,114,698
Tenant reimbursements	669,091	486,737
Total operating revenues	4,432,421	3,601,435
Operating expenses		
Salaries and benefits	367,255	355,089
Purchased services	1,063,169	991,053
Rental property operating and maintenance	1,142,905	989,657
Taxes	382,017	380,317
Grants to service providers and community	134,195	(5,970,710)
Amortization	153,547	363,863
Depreciation	3,518,807	3,708,066
Total operating expenses	6,761,895	817,335
Operating income (loss)	(2,329,474)	2,784,100
Nonoperating revenues (expenses):		
Interest income	388,016	496,349
Interest expense	(1,480,343)	(1,567,626)
Change in fair value of investments	(233,051)	(155,203)
Other gain (loss)	200,000	(17,367,203)
Net nonoperating expenses	(1,125,378)	(18,593,683)
Change in net position	(3,454,852)	(15,809,583)
Net position, beginning of year	52,594,988	68,404,571
Net position, end of year	$ 49,140,136	$ 52,594,988

The accompanying notes are an integral part of these financial statements.

EDEN TOWNSHIP HEALTHCARE DISTRICT
Statements of Cash Flows
For the Years Ended June 30, 2013 and 2012

	2013	2012
Cash flows from operating activities		
Cash receipts from customers	$ 4,301,836	$ 3,717,290
Payments to suppliers of goods and services	(2,393,571)	(2,440,832)
Payments to employees for services	(367,255)	(344,692)
Grant payments	(134,195)	(29,290)
Tax payments	(382,017)	(380,316)
Net cash provided by operating activities	1,024,797	522,160
Cash flows from capital and related financing activities		
Payment of loan and line of credit principal	(5,325,469)	(109,325)
Loan proceeds received	3,450,000	-
Interest paid	(1,480,343)	(1,566,149)
Purchase of capital assets	(3,045,053)	(5,079,273)
Net cash used in capital and related financing activities	(6,400,865)	(6,754,747)
Cash flows from investing activities		
Investment income received	381,608	762,858
Distribution received from San Leandro Surgery Center	300,000	-
Purchase of investments	(2,213,600)	(12,547,178)
Proceeds from sale of investments	6,779,734	20,312,698
Loan to St. Rose Hospital	-	(3,000,000)
Loan to Webster Orthopedics	(1,500,000)	-
Payments received on St. Rose Hospital note receivable	-	1,850,000
Payments received on Webster Orthopedics note receivable	194,116	-
Change in restricted cash	1,249,598	(1,528,451)
Net cash provided by investing activities	5,191,456	5,849,927
Net decrease in cash and cash equivalents	(184,612)	(382,660)
Cash and cash equivalents, beginning of year	859,549	1,242,209
Cash and cash equivalents, end of year	$ 674,937	$ 859,549
Reconciliation of operating loss to net cash provided by operating activities		
Operating profit (loss)	$ (2,329,474)	$ 2,784,100
Adjustments to reconcile operating loss to net cash provided by operating activates		
Depreciation	3,518,807	3,708,066
Amortization	153,547	363,863
Change in assets and liabilities		
Accounts receivable - tenants	(76,015)	27,335
Receivable - other	(28,105)	-
Prepaid expenses	59,239	(18,875)
Other assets	(292,991)	(422,648)
Accounts payable and accrued liabilities	79,252	(75,442)
Interest payable	(32,998)	-
Security deposits payable	32,040	67,241
Unearned rent	(58,505)	88,520
Grants payable	-	(6,000,000)
Net cash provided by operating activities	$ 1,024,797	$ 522,160
Supplemental disclosure of non-cash investing capital or financing activities		
Change in fair value investments	$ (233,051)	$ (155,203)

The accompanying notes are an integral part of these financial statements.

1. Organization

Eden Township Healthcare District (the "District"), formerly Eden Township Hospital District, a political subdivision of the State of California, was organized under Local Hospital District Law as set forth in the Health and Safety Code of the State of California. It is exempt from federal and state income taxes. The District operated Eden Hospital Medical Center and Laurel Grove Hospital (the "Hospitals") in Castro Valley, California, until January 14, 1998 when the District transferred substantially all of the net operating assets and operations of the Hospitals to Eden Medical Center ("EMC"), a California nonprofit public benefit corporation. The transfer occurred pursuant to the District's affiliation with Sutter Health, a California nonprofit public benefit corporation. The District is one of two corporate members of EMC and the District's five elected directors are members of EMC's eleven-member Board of Directors. Sutter Health is the other corporate member.

In 2006, the District formed Dublin Gateway, LLC, a California limited liability company and Dublin Gateway, Inc., a California corporation, the manager of Dublin Gateway, LLC. Dublin Gateway, Inc. was dissolved during the prior year.

In May 2007, the District, in partnership with Dublin Gateway, LLC, acquired the Triad Dublin Gateway, LP, (TDG LP) for the purpose of purchasing, owning, operating and developing the Dublin Gateway Medical Center (DGMC). Since TDG LP is wholly owned and controlled by the District through its ownership of Dublin Gateway, LLC, the operations of TDG LP are included within the District.

The District owns three medical office properties; DGMC, San Leandro Medical Arts Building and a newly constructed building on Lake Chabot Road in Castro Valley, California. The three properties are managed by professional commercial property managers.

In March 2008, the District executed an amended and restated lease and hospital operations agreement with EMC. EMC has two corporate members: the District and Sutter Health. Under the terms of the amended agreement, EMC had the option to purchase the San Leandro Hospital (SLH) between July 1, 2009 and June 30, 2010. The District received notification from EMC (Sutter Health) of its intent to exercise the purchase option in July 2009 for a purchase price determined to be zero under the terms of the agreement. The District filed a lawsuit opposing the purchase in which the trial court ruled in favor of Sutter Health in 2009. On April 11, 2012, the District was notified that its appeal filed with the California Supreme Court was denied. Consequently, the District wrote off the assets and associated goodwill of SLH in April 2012 after approval by the Board of Directors. See Footnote 13.

In 1984, the District established Eden Hospital Health Services Corporation ("EHHSC"). EHHSC is a separate nonprofit corporation that is not included in the financial statements of the District as it does not meet the criteria in Governmental Accounting Standards Board ("GASB") Statement No. 14, *"The Reporting Entity,"* for inclusion as a component unit of the District as the District's only right with respect to EHHSC is to dissolve it. EHHSC owns and operates a retirement and skilled nursing facility.

2. Summary of Significant Accounting Policies

Basis of accounting

The financial statement presentation, required by GASB Statements No. 34, 37 and 38 provides a full accrual basis, comprehensive, entity-wide perspective of the District's assets, results of operations and cash flows. The District follows the "business-type activities" reporting requirements of GASB Statement No. 34.

Effective July 1, 2012, the District adopted GASB No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which brings the top category of authoritative governmental accounting and financial reporting literature together into a single publication. This GASB pronouncement did not have a significant impact on the District's June 30, 2013 and 2012 financial statements.

Effective July 1, 2012, the District adopted GASBS No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* which establishes guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. This GASB pronouncement did not have a significant impact on the District's June 30, 2013 and 2012 financial statements.

Cash and cash equivalents

For purposes of the statement of cash flows, the District considers cash held in bank accounts and short-term investments with original maturities of three months or less to be cash and cash equivalents.

Restricted cash and investments

The restricted cash and investments consist of balances required to be held separately by the District's debtor. The balance at June 30, 2013 and 2012 includes investments in fixed income securities which are stated at fair value of $1,900,275 and $3,044,515, respectively, as well as cash and cash equivalents of $1,452,994 and $1,558,352, respectively.

Investments

The District is restricted by State law in the types of investments that can be made. State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate notes, repurchase agreements, reverse repurchase agreements, banker's acceptances and other instruments including the State Treasurer's Investment Pool.

2. Summary of Significant Accounting Policies (continued)

Investments (continued)

Investments in participating interest-earning investment contracts are recorded at amortized cost, which approximates fair value for these investments, and all other investments are stated at fair value in the statements of net assets based upon published market quotations, where available. Investment income or loss (including realized gains and losses on investments, interest and dividends) and unrealized gains and losses on investments are reported in the statement of revenues, expenses and changes in net assets.

The District invests in various investment securities including corporate bonds, government securities and US treasury notes. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the accompanying consolidated financial statements.

Capital assets, net

Capital assets are stated at cost when purchased or constructed, or, for donated property, at the asset's estimated fair value at the time the donated property is received. Depreciation is provided using the straight-line method over the assets' estimated useful lives ranging from 4 to 40 years. Depreciation for tenant improvements is provided using the straight-line method over the shorter of the assets estimated useful life or the lease term, generally 10 years or less. Whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recovered, the District, using its best estimates and projections, reviews for impairment the carrying value of long-lived identifiable assets to be held and used in the future. Any impairment losses identified are recognized when determined. Recoverability of assets is measured by comparison of the carrying amount of the asset to the net undiscounted future cash flows expected to be generated from the asset. If the future undiscounted cash flows are not sufficient to recover the carrying value of the assets, the assets carrying value is adjusted to fair value.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported results of operations for the reporting periods. Actual results could differ from those estimates.

3. Cash and Investments - Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment that is in the possession of another party. The District does not have a policy for custodial credit risk on deposits or investments. Under the California Government Code, a financial institution is required to secure deposits in excess of $250,000 made by state or local governmental units by pledging securities held in the form of an undivided collateral pool. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The collateral is held by the pledging financial institution's trust department and is considered held in the District's name.

At June 30, 2013 and 2012, the District had cash and equivalents on deposit at banks of $2,005,654 and $2,072,232, respectively, that were covered by depository insurance or collateralized by the pledging financial institution.

At June 30, 2013 and 2012, the balances on deposit at financial institutions in excess of federal depository insurance limits of $250,000 totaled $238,642 and $422,981, respectively and were held in uncollateralized accounts.

4. Investments

At June 30, 2013 and 2012, investments consisted of the following at fair value, including $1,900,275 and $3,044,515, respectively, that are classified as restricted cash and investments as required by the District's debtor:

	2013	2012
US Treasury notes	$4,727,746	$ 8,110,811
US government agency securities	1,891,732	4,090,063
Corporate bonds	2,962,056	3,324,085
Total investments	$9,581,534	$15,524,959

4. Investments (continued)

Investments authorized by the California Government Code

The table below identifies the investment types that are authorized for the District by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
US Treasury Notes, Bonds, or Bills	5 years	None	None
US Government Agency Securities	5 years	None	None
Repurchase Agreements	1 year	None	None
State of California Obligations	5 years	None	None
Bankers' Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Medium-Term Notes	5 years	30%	None
Certificates of Deposit	1 year	10%	None
Negotiable Certificates of Deposits	5 years	None	None
State of California Local Agency Investment Fund	N/A	None	None
Money Market Accounts	N/A	None	None

Interest rate risk

Interest rate risk is the risk that changes in market 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. The District does not have any policies specifically addressing interest rate risk.

At June 30, 2013 and 2012, scheduled maturities of fixed income securities consisted of the following:

	2013	2012
Maturing in		
Less than 1 year	$2,856,097	$ 2,215,926
1 year to 5 years	6,725,437	13,309,033
5 years to 10 years	-	-
Total	$9,581,534	$15,524,959

4. Investments (continued)

Credit risk

The District's credit rating risk is governed by Section 53601 of the California Government Code, which, among others, limits investments in money market mutual funds to those funds with the highest ranking by at least one of the national rating agencies and investments in corporate bonds are limited to those with a minimum ranking of A by at least one national rating agencies. The District did not hold any investments at June 30, 2013 and 2012 that had ratings of less than A by national rating agencies. There are no investment limits on the securities of the U.S. Treasury as these investments are backed by the full faith and credit of the United States government.

The following is a summary of the credit quality distribution for securities with credit exposure as rated by Moody's Investor Service at June 30, 2013 and 2012:

	2013	2012
AAA	$5,021,710	$ 9,244,411
AA1-AA3	2,436,489	4,218,393
A1 -A3	2,123,335	2,062,155
Total	$9,581,534	$15,524,959

Concentration of credit risk

The District diversifies its portfolio as required by the California Government Code. At June 30, 2013 and 2012, more than 5 percent of the District's investments are invested in the following.

	2013	2012
Federal National Mortgage Association	10%	9.0%
Federal Home Loan Banks	-	5.2%
Fannie Mae	-	7.3%

5. Capital Assets

Changes in capital assets consist of the following for the year ended June 30, 2013:

	Balance July 1, 2012	Additions	Transfers	Disposals	Balance June 30, 2013
Capital assets not being depreciated					
Land	$13,005,082	$ -	$ -	$ (-)	$13,005,082
Construction in progress	6,894,650	25,921	(6,897,262)	-	23,309
Total capital lease assets not being depreciated	19,899,732	25,921	(6,897,262)	(-)	13,028,391
Capital assets being depreciated					
Land improvements	16,000	-	-	(-)	16,000
Building	70,280,991	573,415	6,589,816	(697,287)	76,746,935
Building improvements	2,551,006	806,864	262,736	-	3,620,605
Tenant improvements	3,401,334	1,610,866	44,710	-	5,056,909
Equipment	62,621	27,986	-	(25,807)	64,801
Total capital assets being depreciated	76,311,952	3,019,131	6,897,262	(723,094)	85,505,251
Less: Accumulated depreciation	(15,065,668)	(3,518,806)	-	723,094	(17,861,380)
Total capital assets being depreciated, net	61,246,285	(499,675)	6,897,262	-	67,643,871
Total capital assets, net	$81,146,016	$ (473,754)	$ -	$ -	$80,672,262

In March 2012, the District wrote off the net book value of the San Leandro Hospital ("SLH") as a result of the outcome of the lawsuit with Sutter Health (see "Litigation", Footnote 13). The District recognized a loss on the purchase of SLH by Sutter Health in the amount of $17,367,203 which is comprised of the SLH net book value removed of $14,999,802 and the write-off of the goodwill associated with the original purchase of SLH of $2,367,401.

5. Capital Assets (continued)

Changes in capital assets consist of the following for the year ended June 30, 2012:

	Balance July 1, 2011	Additions	Transfers	Disposals	Balance June 30, 2012
Capital assets not being depreciated					
Land	$15,853,825	$ -	$ -	$ (2,848,743)	$13,005,082
Construction in progress	2,721,665	4,326,572	(153,588)	-	6,894,649
Total capital lease assets not being depreciated	18,575,490	4,326,572	(153,588)	(2,848,743)	19,899,731
Capital assets being depreciated					
Land improvements	545,475	16,000	-	(545,475)	16,000
Building	89,913,012	-	-	(19,632,021)	70,280,991
Building improvements	2,429,021	25,845	96,140	-	2,551,006
Tenant improvements	2,633,030	710,856	57,448	-	3,401,334
Equipment	3,544,230	-	-	(3,481,608)	62,622
Total capital assets being depreciated	99,064,768	752,701	153,588	(23,659,104)	76,311,951
Less: Accumulated depreciation	(22,865,641)	(3,708,072)	-	11,508,045	(15,065,668)
Total capital assets being depreciated, net	76,199,127	(2,955,371)	153,588	(12,151,059)	61,246,285
Total capital assets, net	$94,774,617	$1,371,201	$ -	$(14,999,802)	$81,146,016

6. Note Receivable

On August 1, 2011 the District made a $3,000,000 loan to St. Rose Hospital ("SRH") to be used for operations with an original maturity date of November 1, 2011. In December 2011 the District established a revised loan payment plan that called for the current principal balance of $2,350,000 to be repaid by March 9, 2012. SRH repaid a total of $1,200,000 under this repayment plan leaving a loan balance of $1,150,000 as of June 30, 2012. On August 22, 2012 the District informed SRH in writing that principal and interest payments on the loan have been suspended for one year, and received acknowledgment from SRH on this new agreement. Payments will resume subsequent to the one year period.

The loan is secured by SRH personal property, accounts receivable and all rights and intangibles relating to the present or future development, use, sale operation or occupancy of the capital project. The interest rate was lowered to 3.25% effective December 2011 from the default interest rate of 8.25% as stated in the loan agreement. The loan is currently due and payable as of August 1, 2013. SRH has requested that the note be forgiven by the District. The District has not made a decision on this request as of the date of this audit report.

6. Note Receivable (continued)

On September 11, 2012 the District lent an aggregate amount of $1,500,000 to Webster Orthopedic Medical Group, a Professional Corporation, dba Webster Orthopedics, to be used for tenant improvements. The loan bears interest of 6.75% with principal and interest payments to be made on the first day of each month over a five year period. The loan is secured by the personal guarantees executed by each of the borrower's shareholders. The loan is being repaid under the terms of the agreement; the loan balance is $1,305,884 as of June 30, 2013.

7. Goodwill

Goodwill relates to the District's purchase of San Leandro Hospital (SLH) in July 2004. As a result of the purchase of SLH by Sutter Health, the majority of the goodwill associated with the original acquisition of SLH was written off as of June 30, 2012. The remaining goodwill as of June 30, 2013 and 2012 is attributed to the District's interest in the SurgiCenter and in the San Leandro Medical Arts Building. Goodwill is being amortized over its estimated useful life of 20 years which is the term of the agreement between Eden Medical Center and the District for the operation of SLH.

	2013	2012
Goodwill	$781,411	$781,411
Less accumulated amortization	(351,636)	(312,566)
Goodwill, net	$429,775	$468,845

Amortization expense related to goodwill was $39,070 and $184,013 for the years ended June 30, 2013 and 2012, respectively.

8. Loan Payable

At June 30, 2012 and 2011, the District's long-term liabilities consisted of a variable rate note and a line of credit secured on the Dublin Gateway Center and guaranteed by the District. The note with US Bank was originally obtained on May 17, 2007 for a maximum amount of $54,000,000.

The original terms of the bank loan included three holdback reserves which permitted TDG, LP to draw on funds for construction and tenant improvements to the property. The holdback reserves included the following: $7,000,000 for tenant improvements, $500,000 for the payment of leasing commissions and $1,400,000 for interest reserve.

8. Loan Payable (continued)

The District financed total interest from the holdback reserves of $1,111,991 and funded tenant improvements of $1,990,407 through the date of the first loan modification. The terms of the note were modified on May 25, 2010 causing the remaining balance of $5,797,602 available as holdback reserves to be cancelled which reduced the maximum amount available under the loan to $48,202,397. The maturity date of the loan was extended from June 1, 2010 to September 1, 2010 under the modification. A second modification was executed on September 27, 2010. The note's total commitment was reduced to $40,500,000 and the maturity date was extended to October 1, 2012. A new secured line of credit was executed simultaneously for the remaining balance of $7,702,398. The line of credit was executed to increase the bank's total security on the outstanding principal balance at September 1, 2010 of $48,202,398. The principal of $7,702,398 outstanding on the line of credit is secured by the San Leandro Medical Arts Building and $3,300,000 of marketable securities. The maturity date of the line of credit is October 1, 2012. The variable interest rates on the note and the line of credit were 3.24% and 3.00%, respectively, as of June 30, 2012.

A third modification was executed on June 2, 2011. Starting July 15, 2011, on a monthly basis, the District is required to pay to the bank 50% of all excess cash flow for the prior month's financial results for the Dublin Gateway operations. These funds are to pay down the principal balance of the loan. Any remaining unpaid principal balance becomes due on October 1, 2012. Additional collateral funds of $2,000,000 were also required which may be reduced by amounts incurred for tenant improvements. At June 30, 2012, the balance of cash and investments required to be maintained by the bank as collateral is $4,602,867.

A fourth modification was executed on March 14, 2012. The District was required at all times to maintain unencumbered liquid assets of at least $15,000,000.

A fifth modification was executed on September 28, 2012. The modification was to extend the maturity date of the note and line of credit from October 1, 2012 to February 1, 2013.

A sixth modification was executed on January 31, 2013. The note's total commitment was reduced to $35,214,969 and the District made a principal payment of $5,000,000. The maturity date of the note was extended to February 1, 2016 and the District was no longer required to pay US Bank 50% of all excess cash flow for the prior month's financial results of the Dublin Gateway operations. The required unencumbered liquid assets were also reduced from $15,000,000 to $8,000,000. With regards to the line of credit an additional advance of $2,000,000 was added to the outstanding principal balance of $7,702,398. The new principal balance is $9,702,397 and allocated amongst the San Leandro Medical Arts Building ($2,806,000), the Eden Medical Building ($3,570,000), and marketable securities ($3,326,397). The net principal reduction by the District in this transaction is $3,000,000, paid in cash. The maturity date of the line of credit is February 1, 2016, concurrent with the note mentioned above. The variable interest rates on the note and the line of credit were 2.94% (LIBOR plus 2.75 points) and 2.95% (LIBOR plus 2.75 points), respectively as of June 30, 2013.

8. Loan Payable (continued)

The District also has a line of credit with a lender for a maximum amount of $6,000,000 due upon demand, bearing an interest rate of Libor plus 1.75%. The loan is secured by the District's investments that the lender has under its possession and control. The loan balance was $1,300,237 and $0 as of June 30, 2013 and 2012, respectively. The interest rate at June 30, 2013 was 2.03%.

Changes in the District's long-term loan payable for the fiscal year ended June 30, 2013:

	July 1, 2012	Additions	Paydowns	June 30, 2013	Amounts Due Within One Year
Bank loan	$48,093,073	$2,000,000	$(5,175,706)	$44,917,367	$ -

Changes in the District's long-term liabilities for the fiscal year ended June 30, 2012:

	July 1, 2011	Additions	Paydowns	June 30, 2012	Amounts Due Within One Year
Bank loan	$48,202,398	$ -	$(109,325)	$48,093,073	$48,093,073

Changes in the District's line of credit for the fiscal year ended June 30, 2013:

	July 1, 2012	Additions	Paydowns	June 30, 2013	Amounts Due One Year
Bank loan	$ -	$1,450,000	$(149,763)	$ 1,300,237	$ 1,300,237

9. Agreements with Related Organizations

In March 2008, the District entered into an amended and restated agreement with Sutter Health to construct a medical center on the site of the Eden Medical Center campus to replace the existing hospital building which will not meet the seismic safety requirements of State Senate Bill 1953. The replacement hospital for Eden Medical Center in Castro Valley opened for business and accepted the first patients in December 2012. This essentially completes the agreement to build the replacement hospital, although the removal of the old hospital building and the remaining parking and landscaping will not be completed until the fall of 2014.

10. Net Position

Net position at June 30, 2013 and 2012 is categorized as net investment in capital assets, restricted and unrestricted.

Net Investment in Capital Assets - This category represents all capital assets in one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

Restricted Net Assets - This component of net assets consists of constraints imposed by creditors (such as through debt covenants), grantors, contributions, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. As of June 30, 2013 and 2012, the District had $3,354,019 and $4,603,617 in restricted net assets, respectively. The restriction is related to required collateral to be held for the Districts loan payable.

Unrestricted Net Assets - This category represents net assets of the District not restricted for any project or purpose. Portions of unrestricted net assets may be designated to indicate tentative plans for financial resource utilization in a future period. Such plans or intent are subject to change and have not been legally authorized or may not result in expenditures. The District has no Board designated funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first and then unrestricted resources, as they are needed.

11. Medical Office Buildings - Future Rental Income

The future minimum rental income from operating leases as of June 30, 2013 is as follows:

Fiscal Year Ending June 30,	Eden Medical Building	San Leandro Medical Arts	Dublin Gateway	Total
2014	$ 319,196	$ 754,893	$ 3,162,327	$ 4,236,416
2015	342,033	515,279	3,214,699	4,072,011
2016	349,490	426,905	3,252,801	4,029,196
2017	357,728	364,539	1,802,940	2,525,207
2018	321,535	262,002	1,082,860	1,666,397
Thereafter	951,984	423,320	5,376,479	6,751,783
Total minimum lease rentals	$2,641,966	$2,746,938	$17,892,106	$23,281,010

12. Pension Plan

The District maintains a 457 defined contribution plan for all employees which is administered by CalPERS. Participants receive an employer match contribution of 100% of the employee contribution, up to 5% of the employee's annual salary. Total pension plan expense was $11,209 and $11,519 for the years ended June 30, 2013 and 2012, respectively.

13. Commitments and Contingencies

Litigation

The District executed an amended and restated lease and hospital operations agreement with EMC in March 2008. EMC has two corporate members: the District and Sutter Health. Under the terms of the amended agreement, EMC has the option to purchase the San Leandro Hospital (SLH) between July 1, 2009 and June 30, 2010. The District received notification from EMC (Sutter Health) of their intent to exercise the purchase option in July 2009.

If a purchase pursuant to the option is consummated, the purchase price would be equal to the net book value of the SLH recorded by the District, less total cash losses incurred by EMC during period of operation, and less total capital expenditures. The SLH has operated at a loss during the lease agreement which has been funded by EMC (Sutter Health). The proposed purchase price by EMC (Sutter Health) is $0. The Trial Court ruled in favor of Sutter in the 2009 Cross Compliant filed by the District in November 2010. The District filed an appeal on March 9, 2011 and the appeal was decided in favor of Sutter Health in December of 2011. An appeal for review was filed with the California Supreme Court in February 2012. The California Supreme Court refused to entertain an appeal on April 11, 2012. Therefore, the value of San Leandro Hospital and the related goodwill were written off in April 2012.

The District transferred title to San Leandro Hospital to Sutter Health on September 28, 2012. The continued arbitration from 2009 for damages was settled with an award to Sutter Health of $17,179,860 on June 11, 2013. The method and means of payment of the award, and timeframe for the same, has not been determined and may remain subject to court determination or agreement with Sutter Health.

14. Subsequent Events

The District has evaluated subsequent events through October 29, 2013, the date the financial statements were available to be issued. No other subsequent events have occurred that would have a material impact on the presentation of the District's financial statements.

SUPPLEMENTAL INFORMATION

EDEN TOWNSHIP HEALTHCARE DISTRICT
Combining Statement of Net Position
June 30, 2013
(With Comparative Totals as of June 30, 2012)

	District Office	Dublin Gateway LP	San Leandro Medical Arts Building	Eden Medical Building	Eden Township Healthcare District Total	2012
Assets						
Current assets:						
Cash and equivalents	$ 190,986	$ 376,110	$ 50,850	$ 56,991	$ 674,937	$ 859,549
Restricted cash and investments	3,353,269	-	-	-	3,353,269	4,602,867
Receivable - other	28,105	-	-	-	28,105	-
Accounts receivable - tenants	-	66,652	3,439	30,519	100,610	124,595
Interest receivable	85,927	-	-	-	85,927	79,519
Prepaid expense	7,999	29,499	356	4,301	42,155	101,394
Total current assets	3,666,286	472,261	54,645	91,811	4,285,003	5,767,924
Other assets:						
Investments	7,681,259	-	-	-	7,681,259	12,480,444
Deposit	-	-	750	-	750	750
Goodwill, net	429,775	-	-	-	429,775	468,845
Notes Receivable	2,455,884	-	-	-	2,455,884	1,150,000
Prepaids and deposits	-	689,202	-	66,567	755,769	577,255
Total other assets	10,566,918	689,202	750	66,567	11,323,437	14,677,294
Capital assets:						
Nondepreciable	-	11,000,000	23,309	-	11,023,309	19,899,731
Depreciable	23,822	57,590,902	2,370,867	9,663,362	69,648,953	61,246,285
Total capital assets, net	23,822	68,590,902	2,394,176	9,663,362	80,672,262	81,146,016
Total assets	$ 14,257,026	$ 69,752,365	$ 2,449,571	$ 9,821,740	$ 96,280,702	$ 101,591,234
Liabilities and net position						
Current liabilities:						
Accounts payable and accrued liabilities	$ 378,943	$ 50,547	$ 33,046	$ 179,161	$ 641,697	$ 562,445
Taxes payable	-	-	-	-	-	-
Interest payable	-	86,388	-	8,825	95,213	128,211
Security deposits held	-	98,849	6,656	21,409	126,914	94,874
Unearned rent	-	-	36,692	22,446	59,138	117,643
Loan payable	1,300,237	-	-	-	1,300,237	48,093,073
Total current liabilities	1,679,180	235,784	76,394	231,841	2,223,199	48,996,246
Loan payable	3,326,397	35,214,970	2,806,000	3,570,000	44,917,367	-
Total non-current liabilities	3,326,397	35,214,970	2,806,000	3,570,000	44,917,367	-
Total liabilities	5,005,577	35,450,754	2,882,394	3,801,841	47,140,566	48,996,246
Net position						
Net investment in capital assets	(3,302,575)	33,375,932	(411,824)	6,093,362	35,754,895	33,052,943
Restricted	3,353,269	-	750	-	3,354,019	4,603,617
Unrestricted	9,200,755	925,679	(21,749)	(73,463)	10,031,222	14,938,428
Total net position	9,251,449	34,301,611	(432,823)	6,019,899	49,140,136	52,594,988
Total liabilities and net position	$ 14,257,026	$ 69,752,365	$ 2,449,571	$ 9,821,740	$ 96,280,702	$ 101,591,234

EDEN TOWNSHIP HEALTHCARE DISTRICT
Combining Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2013
(With Comparative Totals as of June 30, 2012)

	District Office	Dublin Gateway LP	San Leandro Medical Arts Building	Eden Medical Building	Eden Township Healthcare District Total	2012
Operating revenues						
Rental income	$ -	$ 2,798,702	$ 789,497	$ 175,131	$ 3,763,330	$ 3,114,698
Tenant Reimbursements	-	634,379	-	34,712	669,091	486,737
Total operating revenues	-	3,433,081	789,497	209,843	4,432,421	3,601,435
Operating expenses						
Salaries and benefits	367,255	-	-	-	367,255	355,089
Purchased services	1,054,790	7,286	-	1,093	1,063,169	991,053
Rental property operating and maintenance	-	557,442	383,539	201,924	1,142,905	989,657
Taxes	-	382,017	-	-	382,017	380,317
Grants to service providers and community	134,195	-	-	-	134,195	(5,970,710)
Amortization	39,070	109,223	-	5,254	153,547	363,863
Depreciation	12,236	2,819,475	271,887	415,209	3,518,807	3,708,066
Total operating expenses	1,607,546	3,875,443	655,426	623,480	6,761,895	817,335
Operating income (loss)	(1,607,546)	(442,362)	134,071	(413,637)	(2,329,474)	2,784,100
Nonoperating revenues (expenses):						
Interest income	386,414	255	-	1,347	388,016	496,349
Interest expense	(55,263)	(1,344,895)	(35,233)	(44,952)	(1,480,343)	(1,567,626)
Change in fair value of investments	(233,051)	-	-	-	(233,051)	(155,203)
Other gain/(loss)	300,000	(100,000)	-	-	200,000	(17,367,203)
Net nonoperating revenues (expenses)	398,100	(1,444,640)	(35,233)	(43,605)	(1,125,378)	(18,593,683)
Net gain/(loss) before transfers	(1,209,446)	(1,887,002)	98,838	(457,242)	(3,454,852)	(15,809,583)
Transfers	(17,700,000)	14,028,859	(2,806,000)	6,477,141	(0)	-
Change in net position	(18,909,446)	12,141,857	(2,707,162)	6,019,899	(3,454,852)	(15,809,583)
Net position, beginning of year	28,160,895	22,159,754	2,274,339	-	52,594,988	68,404,571
Net position, end of year	$ 9,251,449	$ 34,301,611	$ (432,823)	$ 6,019,899	$ 49,140,136	$ 52,594,988