

EDEN TOWNSHIP
HEALTHCARE DISTRICT

INDEPENDENT AUDITORS' REPORT,
MANAGEMENT'S DISCUSSION AND ANALYSIS,
CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION

JUNE 30, 2012 AND 2011

ARMANINO MCKENNA ^{LLP}
Certified Public Accountants & Consultants



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INDEPENDENT AUDITORS' 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 (the "District") (a California political subdivision) as of and for the year ended June 30, 2012. These consolidated financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year consolidated financial statements were audited by the predecessor auditors whose report dated October 24, 2011, expressed an unqualified opinion on those consolidated financial statements.

We conducted our audit 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 financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Eden Township Healthcare District as of June 30, 2012 and the changes in its financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis identified in the table of contents 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 the 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.



Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The combining statement of net assets, combining statement of revenues, expenses and changes in net assets, and the combining statement of cash flows are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Armanino McKenna LLP
ARMANINO McKENNA LLP

October 26, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

EDEN TOWNSHIP HEALTHCARE DISTRICT
Management's Discussion and Analysis
Required Supplementary Information (Unaudited)

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, 2012 and 2011.

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 assets, the statements of revenues, expenses and changes in net assets 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 Assets 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 Assets 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,		
	2012	2011	2010
ASSETS:			
Current assets	\$ 5,767,924	\$ 7,266,128	\$ 2,984,343
Other non-current assets	14,677,294	21,387,601	29,151,924
Capital assets	81,146,016	94,774,617	96,526,461
Total assets	<u>\$ 101,591,234</u>	<u>\$ 123,428,346</u>	<u>\$ 128,662,728</u>
LIABILITIES			
Current liabilities	\$ 48,996,246	\$ 6,821,377	\$ 6,817,991
Non-current liabilities	-	48,202,398	48,202,398
Total liabilities	<u>48,996,246</u>	<u>55,023,775</u>	<u>55,020,389</u>
NET ASSETS	<u>52,594,988</u>	<u>68,404,571</u>	<u>73,642,339</u>
Total liabilities and net assets	<u>\$ 101,591,234</u>	<u>\$ 123,428,346</u>	<u>\$ 128,662,728</u>

EDEN TOWNSHIP HEALTHCARE DISTRICT
Management's Discussion and Analysis
Required Supplementary Information (Unaudited)

Net assets at June 30, 2012 decreased to \$52,594,988 from \$68,404,571 in 2011 due primarily to a major asset, San Leandro Hospital, being written off. As San Leandro Hospital was leased to Eden Medical Center with lease payments based upon a percentage of capital expenditures, there is no operating effect on the income statement. San Leandro Hospital didn't provide revenue to the District over the last seven years. Operating revenues decreased \$80,452 and operating expenses decreased \$7,252,373 compared to 2011. This is due primarily to two grants of \$5,000,000 and \$1,000,000 being written off in the current year. In addition, net non-operating expense increased by \$17,743,735 compared to 2011. For 2012 the District reports an operating gain.

Operating revenues:			
Rental income	\$ 3,114,698	\$ 3,215,788	\$ 3,159,857
Tenant reimbursements	486,737	466,099	460,692
	<u>3,601,435</u>	<u>3,681,887</u>	<u>3,620,549</u>
Operating expenses:			
Salaries and Benefits	\$ 355,089	\$ 180,489	\$ -
Purchased services	991,053	1,938,913	1,995,372
Rental property operating and maintenance	989,657	1,221,688	1,100,653
Taxes	380,317	376,544	354,875
Grants to service providers	(5,970,710)	78,025	1,147,350
Amortization	363,863	381,688	329,919
Depreciation	3,708,066	3,892,361	3,855,679
	<u>817,335</u>	<u>8,069,708</u>	<u>8,783,848</u>
Operating profit/(loss)	<u>2,784,100</u>	<u>(4,387,821)</u>	<u>(5,163,299)</u>
Net nonoperating revenues (expenses)	<u>(18,593,683)</u>	<u>(849,947)</u>	<u>230,222</u>
Change in net assets	(15,809,583)	(5,237,768)	(4,933,077)
Net assets, beginning of year	<u>68,404,571</u>	<u>73,642,339</u>	<u>78,575,416</u>
Net assets, end of year	<u>\$ 52,594,988</u>	<u>\$ 68,404,571</u>	<u>\$ 73,642,339</u>

For the year ended June 30, 2012, operating revenue decreased to \$3,601,435 from \$3,681,887 in 2011. Of this decrease \$33,757 is from the Dublin Gateway LP property, \$31,009 is from the Lake Chabot property and \$15,686 is from the San Leandro Medical Arts Building. Dublin Gateway's decrease was primarily due to the departure of a tenant in 2011 which was offset with increased rent for existing tenants in 2012. The decrease in the Lake Chabot property was due to the departure of tenants who weren't interested in renting a suite in the newly constructed Eden Medical Building upon its completion at the end of August 2012. SLMAB's decrease is primarily due to the impact of reclassifying the building from a "B" class building to a "C" class building in 2011 as well as a consequent lowering of rents to encourage tenants to remain in the building and extend their leases.

Net non-operating revenues (expenses) increased by \$17,743,735 in 2012. The increase in expense was primarily due to the write off of San Leandro Hospital. At the time of the write off the book value of the hospital and related goodwill was \$17,367,203. Additionally, interest income decreased by \$205,030 and the change in fair value of investments decreased \$183,982. These decreases were attributable to the use of cash to construct the new Eden Medical Building.

EDEN TOWNSHIP HEALTHCARE DISTRICT
Management's Discussion and Analysis
Required Supplementary Information (Unaudited)

For the year ended June 30, 2012, operating expenses for the District decreased by \$7,252,373. Of this decrease \$6,000,000 was due to the reversal of two grants to EMC. \$5,000,000 was for the continued development of EMC's neuroscience center and \$1,000,000 was for the Women's Health Services department. The reversal was due to the expiration of the statute of limitations for government contracts. Other contributors were decreased legal fees of \$610,291 related to the Sutter dispute, decreased election expense of \$162,145 as no election was held in fiscal year 2012, and decreased consulting expense of \$140,706 resulting from the Districts staff being converted to employees in January 2011.

	For the Years Ended June 30,		
	2012	2011	2010
NET ASSETS:			
Invested in capital assets, net of related debt	\$ 33,052,943	\$ 46,572,219	\$ 48,324,063
Restricted	4,603,617	5,444,193	-
Unrestricted	14,938,428	16,388,159	25,318,276
Total net assets	\$ 52,594,988	\$ 68,404,571	\$ 73,642,339

At June 30, 2012, total net assets decreased by \$15,809,583. Net assets invested in capital assets, net of related debt, decreased \$13,519,276 due to the write off of San Leandro Hospital, depreciation expense and an increase in construction in progress cost for the new Eden Medical Office Building. Restricted net assets decreased by \$840,576 due to the release of funds to pay for tenant improvements at the Dublin Gateway Medical Center (DGMC). Unrestricted net assets decreased by \$1,449,731 due to reductions in cash and investments used to fund construction of the new Eden Medical Building, and the write off of goodwill associated with San Leandro Hospital. These asset reductions were offset with an increase in long-term receivables for the loan to St. Rose Hospital and a decrease in grants payable to EMC. Total net assets decreased by \$17,367,203 as a result of the San Leandro Hospital write off; total net assets actually increased by \$1,557,620 if the San Leandro Hospital write off is excluded.

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, 2012 and 2011, the District's investment in capital assets totaled \$81,146,016 and \$94,774,617 respectively. The decrease in 2012 is primarily attributable to the write off of San Leandro Hospital which accounted for \$14,999,802. This decrease was offset with an increase of \$4,326,572 in construction in progress and \$752,701 in depreciable capital assets. The increase in construction in progress is primarily attributable to the continued development of the new Eden Medical Building; whereas, the increase in depreciable capital assets is primarily related to Dublin Gateway Medical Center.

EDEN TOWNSHIP HEALTHCARE DISTRICT
Management's Discussion and Analysis
Required Supplementary Information (Unaudited)

At June 30, 2012 the District's outstanding balance on a loan payable was \$48,093,073 compared to \$48,202,398 as of June 30, 2011. The decrease of \$109,325 was due to principal payments made during the fiscal year. The bank loan was obtained during fiscal year 2007 as partial financing for the purchase of the DGMC 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 is 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.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

On June 30, 2012, the District has three rental properties for which income and expenses are included in the fiscal year 2012-2013 budget. The San Leandro Medical Arts Building continues to be occupied by long-term tenants and a few newer tenants with about 10% vacancy. In fiscal year 2010 the building was reclassified from a "B" class building to a "C" rents were reduced accordingly. The building produces positive cash flow and is expected to increase as rents gradually increase. As of 2012 capital expenditures to improve the building's heating, air conditioning and plumbing system were completed. The temporary building at Lake Chabot Road continues to operate at a loss, since it is not fully occupied and it was installed primarily as a stop gap for displaced physicians from the Eden Medical Center campus as the new Hospital construction had displaced medical offices. This will end early in the new fiscal year around September 2012. 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 is expected to have positive cash flow from first occupancy. The Dublin Gateway Building One has two new leases for the entire first floor leaving only the second floor vacant and about 5,000 square feet of the third floor unimproved and vacant. There is also one improved suite that is vacant (about 4,000 square feet) on the third floor. The two new lessees of the first floor are ValleyCare Health System and the Webster Orthopedic Group each having about half of the 22,500 square feet on the first floor. The additional annual rent from these tenants will be about \$800,000. ValleyCare's rental payments begin in September 2012 but Webster's will not commence until March 1, 2013. Only part of the full annual increase in cash flow will occur in fiscal year 2013.

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 Suite1A, Castro Valley, CA 94546.

EDEN TOWNSHIP HEALTHCARE DISTRICT

Statements of Net Assets

June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Assets		
Current assets:		
Cash and equivalents	\$ 859,549	\$ 1,242,209
Restricted cash and investments	4,602,867	5,443,443
Accounts receivable - tenants	124,595	151,930
Interest receivable	79,519	346,027
Prepaid expense	101,394	82,519
Total current assets	<u>5,767,924</u>	<u>7,266,128</u>
Other assets:		
Investments	12,480,444	18,032,142
Deposit	750	750
Goodwill, net	468,845	3,020,258
Note receivable	1,150,000	-
Other	577,255	334,451
	<u>14,677,294</u>	<u>21,387,601</u>
Capital assets:		
Nondepreciable	19,899,731	18,575,490
Depreciable	61,246,285	76,199,127
Total capital assets, net	<u>81,146,016</u>	<u>94,774,617</u>
Total assets	<u>\$ 101,591,234</u>	<u>\$ 123,428,346</u>
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 562,445	\$ 637,887
Interest payable	128,211	126,734
Security deposits held	94,874	27,633
Unearned rent	117,643	29,123
Grants payable	-	6,000,000
Loan payable	48,093,073	-
Total current liabilities	<u>48,996,246</u>	<u>6,821,377</u>
Loan payable	-	48,202,398
Total non-current liabilities	-	48,202,398
Total liabilities	48,996,246	55,023,775
Net assets		
Invested in capital assets, net of related debt	33,052,943	46,572,219
Restricted	4,603,617	5,443,443
Unrestricted	14,938,428	16,388,909
Total net assets	<u>52,594,988</u>	<u>68,404,571</u>
Total liabilities and net assets	<u>\$ 101,591,234</u>	<u>\$ 123,428,346</u>

EDEN TOWNSHIP HEALTHCARE DISTRICT
 Statements of Revenues, Expenses and Changes in Net Assets
 For the Years Ended June 30, 2012 and 2011

	2012	2011
Operating revenues		
Rental income	\$ 3,114,698	\$ 3,215,788
Tenant reimbursements	486,737	466,099
Total operating revenues	3,601,435	3,681,887
 Operating expenses		
Salaries and benefits	355,089	180,489
Purchased services	991,053	1,938,913
Rental property operating and maintenance	989,657	1,221,688
Taxes	380,317	376,544
Grants to service providers and community	(5,970,710)	78,025
Amortization	363,863	381,688
Depreciation	3,708,066	3,892,361
Total operating expenses	817,335	8,069,708
Operating profit (loss)	<u>2,784,100</u>	<u>(4,387,821)</u>
 Nonoperating revenues (expenses):		
Interest income	496,349	701,379
Interest expense	(1,567,626)	(1,580,105)
Change in fair value of investments	(155,203)	28,779
Other loss	(17,367,203)	-
Net nonoperating expenses	(18,593,683)	(849,947)
Change in net assets	(15,809,583)	(5,237,768)
Net assets, beginning of year	68,404,571	73,642,339
Net assets, end of year	<u>\$ 52,594,988</u>	<u>\$ 68,404,571</u>

EDEN TOWNSHIP HEALTHCARE DISTRICT
Statements of Cash Flows
For the Years Ended December 31, 2012 and 2011

	2012	2011
Cash flows from operating activities		
Cash receipts from customers	\$ 3,717,290	\$ 4,087,079
Payments to suppliers of goods and services	(2,440,832)	(2,804,100)
Payments to employees for services	(344,692)	(153,170)
Grant payments	(29,290)	(435,525)
Tax payments	(380,316)	(376,544)
Net cash provided by operating activities	522,160	317,740
Cash flows from capital and related financing activities		
Payment of loan fees	-	(334,098)
Payment of loan principal	(109,325)	-
Interest paid	(1,566,149)	(1,586,151)
Purchase of capital assets	(5,079,273)	(2,140,517)
Net cash used in capital and related financing activities	(6,754,747)	(4,060,766)
Cash flows from investing activities		
Investment income received	762,858	598,007
Purchase of investments	(12,547,178)	(37,055,030)
Proceeds from sale of investments	20,312,698	44,848,543
Loan to St. Rose Hospital	(3,000,000)	-
Payments received on St. Rose Hospital note receivable	1,850,000	-
Change in restricted cash	(1,528,451)	(5,443,443)
Net cash provided by investing activities	5,849,927	2,948,077
Net decrease in cash and cash equivalents	(382,660)	(794,949)
Cash and cash equivalents, beginning of year	1,242,209	2,037,158
Cash and cash equivalents, end of year	\$ 859,549	\$ 1,242,209
Reconciliation of operating loss to net cash provided by operating activities		
Operating profit (loss)	\$ 2,784,100	\$ (4,387,821)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation	3,708,066	3,892,361
Amortization	363,863	381,688
Change in operating assets and liabilities		
Accounts receivable - tenants	27,335	237,255
Receivable - other	-	200,000
Deposits	-	1,600
Prepaid expenses	(18,875)	(16,775)
Other assets	(422,648)	-
Accounts payable and accrued liabilities	(75,442)	398,995
Security deposits payable	67,241	(1,000)
Unearned rent	88,520	(31,063)
Grants payable	(6,000,000)	(357,500)
Net cash provided by operating activities	\$ 522,160	\$ 317,740
<u>Supplemental disclosure of non-cash investing capital or financing activities</u>		
Change in fair value investments	\$ (155,203)	\$ 28,779

BASIC FINANCIAL STATEMENTS

EDEN TOWNSHIP HEALTHCARE DISTRICT
Notes to Financial Statements
June 30, 2012 and 2011

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 current 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.

EDEN TOWNSHIP HEALTHCARE DISTRICT
Notes to Financial Statements
June 30, 2012 and 2011

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.

The District applies all applicable GASB pronouncements as well as Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board ("APB") Opinions and Accounting Research Bulletins ("ARBs") of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The District has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, not to apply FASB Statements and Interpretations issued after November 30, 1989, due to the nature of the District's operations.

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, 2012 and 2011 includes investments in fixed income securities which are stated at fair market value of \$3,044,515 and \$5,413,542, respectively, as well as cash and cash equivalents of \$1,558,352 and \$29,901, 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.

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.

EDEN TOWNSHIP HEALTHCARE DISTRICT
Notes to Financial Statements
June 30, 2012 and 2011

2. Summary of Significant Accounting Policies (continued)

Investments (continued)

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.

EDEN TOWNSHIP HEALTHCARE DISTRICT

Notes to Financial Statements

June 30, 2012 and 2011

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, 2012 and 2011, the District had cash and equivalents on deposit at banks of \$2,072,232 and \$1,002,281, respectively, that were covered by depository insurance or collateralized by the pledging financial institution.

At June 30, 2012 and 2011, the balances on deposit at financial institutions in excess of federal depository insurance limits of \$250,000 totaled \$224,891 and \$320,132, respectively and were held in uncollateralized accounts.

4. Investments

At June 30, 2012 and 2011, investments consisted of the following at fair value, including \$3,044,515 and \$5,413,542, respectively, that are classified as restricted cash and investments as required by the District's debtor:

	<u>2012</u>	<u>2011</u>
Contract with insurance company	\$ -	\$ 1,681,665
US Treasury notes	8,110,811	11,105,834
US government agency securities	4,090,063	4,300,777
Corporate bonds	<u>3,324,085</u>	<u>6,357,408</u>
Total investments	<u>\$15,524,959</u>	<u>\$23,445,684</u>

EDEN TOWNSHIP HEALTHCARE DISTRICT

Notes to Financial Statements

June 30, 2012 and 2011

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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
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

At June 30, 2011, the District held an investment in an annuity contract with an insurance company in the amount of \$1,681,665. This District is not permitted to invest in this investment type under the California Government Code, however the annuity contract was sold during the current year.

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. The District held investments at June 30, 2011 that had terms remaining to maturity in excess of five years. The District is not permitted to invest in securities with terms remaining to maturity in excess of five years under the California Government Code.

EDEN TOWNSHIP HEALTHCARE DISTRICT
Notes to Financial Statements
June 30, 2012 and 2011

4. Investments (continued)

Interest rate risk (continued)

At June 30, 2012 and 2011, scheduled maturities of fixed income securities consisted of the following:

	<u>2012</u>	<u>2011</u>
Maturing in		
Less than 1 year	\$ 2,215,926	\$ 4,682,953
1 year to 5 years	13,309,033	16,386,678
5 years to 10 years	<u>-</u>	<u>2,376,053</u>
Total	<u>\$15,524,959</u>	<u>\$23,445,684</u>

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 held an insurance contract and two U.S. Treasury Notes that were not rated as of June 30, 2011. With the exception of those investments, the District did not hold any investments at June 30, 2012 and 2011 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, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
AAA	\$ 9,244,411	\$14,221,810
AA1-AA3	4,218,393	1,257,509
A1-A3	2,062,155	4,371,246
Not rated	<u>-</u>	<u>3,595,119</u>
Total	<u>\$15,524,959</u>	<u>\$23,445,684</u>

EDEN TOWNSHIP HEALTHCARE DISTRICT
Notes to Financial Statements
June 30, 2012 and 2011

4. Investments (continued)

Concentration of credit risk

The District diversifies its portfolio as required by the California Government Code. At June 30, 2012 and 2011, more than 5 percent of the District's investments are invested in the following.

	<u>2012</u>	<u>2011</u>
Federal National Mortgage Association	9.0%	12.5%
Federal Home Loan Banks	5.2%	-
Fannie Mae	7.3%	-
New York Life	-	9.3%
Federal Home Loan Mortgage Corporation	-	8.0%

5. Capital Assets

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

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Transfers</u>	<u>Disposals</u>	<u>Balance</u> <u>July 30, 2012</u>
Capital assets not being depreciated					
Land	\$15,853,825	\$ -	\$ -	\$ (2,848,743)	\$13,005,082
Construction in progress	<u>2,721,665</u>	<u>4,326,572</u>	<u>(153,588)</u>	<u>-</u>	<u>6,894,649</u>
Total capital lease assets not being depreciated	<u>18,575,490</u>	<u>4,326,572</u>	<u>(153,588)</u>	<u>(2,848,743)</u>	<u>19,899,731</u>
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	<u>3,544,230</u>	<u>-</u>	<u>-</u>	<u>(3,481,608)</u>	<u>62,622</u>
Total capital assets being depreciated	99,064,768	752,701	153,588	(23,659,104)	76,311,951
Less: Accumulated depreciation	<u>(22,865,641)</u>	<u>(3,708,072)</u>	<u>-</u>	<u>11,508,045</u>	<u>(15,065,668)</u>
Total capital assets being depreciated, net	<u>76,199,127</u>	<u>(2,955,371)</u>	<u>153,588</u>	<u>(12,151,059)</u>	<u>61,246,285</u>
Total capital assets, net	<u>\$94,774,617</u>	<u>\$1,371,201</u>	<u>\$ -</u>	<u>\$(14,999,802)</u>	<u>\$81,146,016</u>

EDEN TOWNSHIP HEALTHCARE DISTRICT
Notes to Financial Statements
June 30, 2012 and 2011

5. Capital Assets (continued)

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.

Changes in capital assets consist of the following for the year ended June 30, 2011:

	Balance <u>July 1, 2010</u>	<u>Additions</u>	<u>Transfers</u>	Balance <u>July 30, 2011</u>
Capital assets not being depreciated				
Land	\$15,853,825	\$ -	\$ -	\$15,853,825
Construction in progress	<u>1,079,869</u>	<u>1,777,296</u>	<u>(135,500)</u>	<u>2,721,665</u>
Total capital lease assets not being depreciated	<u>16,933,694</u>	<u>1,777,296</u>	<u>(135,500)</u>	<u>18,575,490</u>
Capital assets being depreciated				
Land improvements	545,475	-	-	545,475
Building	91,885,191	321,342	135,500	92,342,033
Tenant improvements	2,591,151	41,879	-	2,633,030
Equipment	<u>3,544,230</u>	<u>-</u>	<u>-</u>	<u>3,544,230</u>
Total capital assets being depreciated	98,566,047	363,221	135,500	99,064,768
Less: Accumulated depreciation	<u>(18,973,280)</u>	<u>(3,892,361)</u>	<u>-</u>	<u>(22,865,641)</u>
Total capital assets being depreciated, net	<u>79,592,767</u>	<u>(3,529,140)</u>	<u>135,500</u>	<u>76,199,127</u>
Total capital assets, net	<u>\$96,526,461</u>	<u>\$(1,751,844)</u>	<u>\$ -</u>	<u>\$94,774,617</u>

6. Note Receivable

On August 1, 2011 the District made a \$3,000,000 loan to St. Rose Hospital ("SRH") to be used for a capital project 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.

EDEN TOWNSHIP HEALTHCARE DISTRICT
Notes to Financial Statements
June 30, 2012 and 2011

6. Note Receivable (continued)

The loan is secured by SRH personal property, accounts receivable and all right 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.

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, 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.

	<u>2012</u>	<u>2011</u>
Goodwill	\$781,411	\$4,646,553
Less accumulated amortization	<u>(312,566)</u>	<u>(1,626,295)</u>
Goodwill, net	<u>\$468,845</u>	<u>\$3,020,258</u>

Amortization expense related to goodwill was \$184,013 and \$232,328 for the years ended June 30, 2012 and 2011, 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 Medical 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.

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.

EDEN TOWNSHIP HEALTHCARE DISTRICT

Notes to Financial Statements

June 30, 2012 and 2011

8. Loan Payable (continued)

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 is required at all times to maintain unencumbered liquid assets of at least \$15,000,000.

US Bank has proposed a private placement bond structure to renew the existing debt with some modification of collateral. The collateral will be some combination of the three medical offices with Dublin Gateway Medical Center being the primary security and one of the other buildings as secondary security. The proposal will create a short-term financing vehicle (3 to 5 years) that can be converted to a longer term financing with little additional legal work or cost. See "Subsequent Events" Footnote 14.

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

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

Changes in the District's long-term liabilities for the fiscal year ended June 30, 2011:

	<u>July 1, 2010</u>	<u>Additions</u>	<u>Paydowns</u>	<u>June 30, 2011</u>	Amounts Due Within <u>One Year</u>
Bank loan	<u>\$48,202,398</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$48,202,398</u>	<u>\$ -</u>

EDEN TOWNSHIP HEALTHCARE DISTRICT

Notes to Financial Statements

June 30, 2012 and 2011

8. Loan Payable (continued)

The District's annual debt service requirement to maturity on October 1, 2012 is approximately \$398,219 in interest, along with 50% of all excess cash flow for the prior month's financial results for the Dublin Gateway operations.

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 medical center facility is expected to be completed by January 1, 2013 and the existing hospital building demolished as a part of this project. Sutter Health has assumed the cost and responsibility for the construction project and is required to pay the District \$275 million less the costs incurred for the project, if it defaults on the agreement and returns Eden Medical Center to the District. Under the terms of the agreement, the District Board will no longer participate in the governance of EMC, after certain milestones in the hospital construction project have been reached.

In February 2006, the District approved a grant to EMC in the amount of \$2,000,000 for the Women's Health Services department for construction, advertising and operative/administrative costs over a two-year period. The balance of the grant payable of \$1,000,000 was written off in the current year based upon agreement between the District and EMC.

In fiscal year 2004, the District approved a grant to EMC in the amount of \$5,000,000 to be used for the continued development of the neuroscience center. At June 30, 2012, the District has reversed the grant payable as they have determined that the obligation is obsolete and beyond the required statute of limitations for such a contract.

10. Net Assets

The financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets, net of related debt, restricted and unrestricted.

Invested in Capital Assets, Net of Related Debt - 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.

EDEN TOWNSHIP HEALTHCARE DISTRICT

Notes to Financial Statements

June 30, 2012 and 2011

10. Net Assets (continued)

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, 2012 and 2011, the District had \$4,603,617 and \$5,444,443 in restricted net assets, respectively. The restriction is related to required collateral to be held for the District's 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, 2012 is as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Eden Medical Building</u>	<u>San Leandro Medical Arts</u>	<u>Dublin Gateway</u>	<u>Total</u>
2013	\$ 177,175	\$ 774,584	\$ 2,798,700	\$ 3,750,459
2014	217,925	517,680	3,162,366	3,897,971
2015	224,463	307,167	3,214,802	3,746,432
2016	231,197	178,383	3,252,757	3,662,337
2017	238,133	99,987	1,803,040	2,141,160
Thereafter	<u>1,049,872</u>	<u>8,132</u>	<u>6,617,655</u>	<u>7,675,659</u>
Total minimum lease rentals	<u>\$2,138,765</u>	<u>\$1,885,933</u>	<u>\$20,849,320</u>	<u>\$24,874,018</u>

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 \$11,519 and \$5,544 for the years ended June 30, 2012 and 2011, respectively.

EDEN TOWNSHIP HEALTHCARE DISTRICT
Notes to Financial Statements
June 30, 2012 and 2011

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 was 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 and Sutter are currently in arbitration regarding further potential losses associated with the lawsuit settlement. The amount of additional loss to the District, if any, cannot be determined at this time.

Contingencies

The transfer of the Eden Hospital Medical Center and Laurel Grove Hospital to Eden Medical Center occurred pursuant to EMC's affiliation with Sutter Health. Under the terms of the affiliation, the District is potentially entitled to receive an additional \$10,000,000 from EMC. According to the MOU, the payment of this consideration is contingent upon EMC's operating income exceeding budget targets and is subject to reasonable working capital and other capital needs of EMC, as determined by EMC's Board of Directors. This contingent consideration is subject to future events which cannot be reasonably estimated and, accordingly, has not been reflected in the District's basic financial statements.

Loan commitment

On March 7, 2012 the District entered into a loan agreement with a tenant to lend up to an aggregate amount of \$1,500,000 for tenant improvements. The loan will bear interest at 6.75% with principal and interest payments to be made on the first day of the month over a five year period once the tenant improvements are substantially complete. The loan is secured by the personal guaranties executed by each of the borrower's shareholders. Loan advances were not made until July 2012. See "Subsequent Events" Footnote 14.

EDEN TOWNSHIP HEALTHCARE DISTRICT
Notes to Financial Statements
June 30, 2012 and 2011

14. Subsequent Events

US Bank, the holder of the current note on the Dublin Gateway Medical Center loan and the line of credit secured by the San Leandro Medical Arts Building, has provided various loan terms for a multiple year extension of the existing loan on DGMC along with a one-year extension on the SLMAB line of credit on the same terms. As the District is looking at the potential sale of one or more parcels of the DGMC property, the Bank has decided to provide an extension of 120 days to February 1, 2013 with a goal of finalizing the definitive loan terms prior to that date.

In July and September 2012, the District made loan advances to a tenant in the amount of \$1,108,273 and \$391,727, respectively under a loan agreement dated March 7, 2012. See "Loan Commitment", Footnote 13".

The District has evaluated subsequent events through October 26, 2012, 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 Statements of Net Assets
June 30, 2012
(With Comparative Totals as of June 30, 2011)

	Eden Township Healthcare District	Dublin Gateway LP	Total	2011
Assets				
Current assets:				
Cash and equivalents	\$ 612,738	\$ 246,811	\$ 859,549	\$ 1,242,209
Restricted cash and investments	4,602,867	-	4,602,867	5,443,443
Receivable - other	-	-	-	-
Accounts receivable - tenants	5,362	119,233	124,595	151,930
Interest receivable	79,519	-	79,519	346,027
Prepaid expense	70,699	30,695	101,394	82,519
Total current assets	5,371,185	396,739	5,767,924	7,266,128
Other assets:				
Investments	12,480,444	-	12,480,444	18,032,142
Deposit	750	-	750	750
Goodwill, net	468,845	-	468,845	3,020,258
Note Receivable	1,150,000	-	1,150,000	-
Other assets	-	577,255	577,255	334,451
Total other assets	14,100,039	577,255	14,677,294	21,387,601
Capital assets:				
Nondepreciable	8,641,415	11,258,316	19,899,731	18,575,490
Depreciable	2,730,642	58,515,643	61,246,285	76,199,127
Total capital assets, net	11,372,057	69,773,959	81,146,016	94,774,617
Total assets	\$ 30,843,281	\$ 70,747,953	\$ 101,591,234	\$ 123,428,346
Liabilities and net assets				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 346,622	\$ 215,823	\$ 562,445	\$ 637,887
Taxes payable	-	-	-	-
Interest payable	-	128,211	128,211	126,734
Security deposits held	31,065	63,809	94,874	27,633
Unearned rent	30,366	87,277	117,643	29,123
Grants payable	-	-	-	6,000,000
Loan payable	-	48,093,073	48,093,073	-
Total current liabilities	408,053	48,588,193	48,996,246	6,821,377
Loan payable	-	-	-	48,202,398
Total non-current liabilities	-	-	-	48,202,398
Total liabilities	408,053	48,588,193	48,996,246	55,023,775
Net assets				
Invested in capital assets, net of related debt	11,372,057	21,680,886	33,052,943	46,572,219
Restricted	4,603,617	-	4,603,617	5,443,443
Unrestricted	14,459,554	478,874	14,938,428	16,388,909
Total net assets	30,435,228	22,159,760	52,594,988	68,404,571
Total liabilities and net assets	\$ 30,843,281	\$ 70,747,953	\$ 101,591,234	\$ 123,428,346

EDEN TOWNSHIP HEALTHCARE DISTRICT
Combining Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2012
(With Comparative Totals as of June 30, 2011)

	Eden Township Healthcare District	Dublin Gateway LP	Total	2011
Operating revenues				
Rental income	\$ 828,344	\$ 2,286,354	\$ 3,114,698	\$ 3,215,788
Tenant Reimbursements	-	486,737	486,737	466,099
Total operating revenues	<u>828,344</u>	<u>2,773,091</u>	<u>3,601,435</u>	<u>3,681,887</u>
Operating expenses				
Salaries and benefits	355,089	-	355,089	180,489
Purchased services	973,718	17,335	991,053	1,938,913
Rental property operating and maintenance	425,128	564,529	989,657	1,221,688
Taxes	-	380,317	380,317	376,544
Grants to service providers and community	(5,970,710)	-	(5,970,710)	78,025
Amortization	184,013	179,850	363,863	381,688
Depreciation	<u>1,137,835</u>	<u>2,570,231</u>	<u>3,708,066</u>	<u>3,892,361</u>
Total operating expenses	<u>(2,894,927)</u>	<u>3,712,261</u>	<u>817,335</u>	<u>8,069,708</u>
Operating profit (loss)	<u>3,723,271</u>	<u>(939,171)</u>	<u>2,784,100</u>	<u>(4,387,821)</u>
Nonoperating revenues (expenses):				
Interest income	493,616	2,733	496,349	701,379
Interest expense	-	(1,567,626)	(1,567,626)	(1,580,105)
Change in fair value of investments	(155,203)	-	(155,203)	28,779
Loss on disposal of property and equipment	<u>(17,367,203)</u>	<u>-</u>	<u>(17,367,203)</u>	<u>-</u>
Net nonoperating expenses	<u>(17,028,790)</u>	<u>(1,564,893)</u>	<u>(18,593,683)</u>	<u>(849,947)</u>
Net loss before transfers	(13,305,519)	(2,504,064)	(15,809,583)	(5,237,768)
Transfer in	-	896,487	896,487	(406,947)
Transfer out	<u>(896,487)</u>	<u>-</u>	<u>(896,487)</u>	<u>406,947</u>
Change in net assets	(14,202,006)	(1,607,577)	(15,809,583)	(5,237,768)
Net assets, beginning of year	<u>44,637,234</u>	<u>23,767,337</u>	<u>68,404,571</u>	<u>73,642,339</u>
Net assets, end of year	<u>\$ 30,435,228</u>	<u>\$ 22,159,760</u>	<u>\$ 52,594,988</u>	<u>\$ 68,404,571</u>

EDEN TOWNSHIP HEALTHCARE DISTRICT
Combining Statements of Cash Flows
For the Years Ended December 31, 2012
(With Comparative Totals for the Year Ended June 30, 2011)

	Eden Township Healthcare District	Dublin Gateway LP	2012	2011
Cash flows from operating activities				
Cash receipts from customers	\$ 828,236	\$ 2,889,054	\$ 3,717,290	\$ 4,087,079
Payments to suppliers of goods and services	(1,690,814)	(750,018)	(2,440,832)	(2,804,100)
Payments to employees for services	(344,692)	-	(344,692)	(153,170)
Grant payments	(29,290)	-	(29,290)	(435,525)
Tax payments	-	(380,316)	(380,316)	(376,544)
Net cash provided by (used in) operating activities	<u>(1,236,560)</u>	<u>1,758,720</u>	<u>522,160</u>	<u>317,740</u>
Cash flows from capital and related financing activities				
Payment of loan fees	-	-	-	(334,098)
Payment of loan principal	(109,325)	-	(109,325)	-
Interest paid	(1,566,149)	-	(1,566,149)	(1,586,151)
Purchase of capital assets	(4,146,540)	(932,733)	(5,079,273)	(2,140,517)
Interfund transfers	896,487	(896,487)	-	-
Net cash used in capital and related financing activities	<u>(4,925,527)</u>	<u>(1,829,220)</u>	<u>(6,754,747)</u>	<u>(4,060,766)</u>
Cash flows from investing activities				
Investment income received	762,858	-	762,858	598,007
Purchase of investments	(12,547,178)	-	(12,547,178)	(37,055,030)
Proceeds from sale of investments	20,312,698	-	20,312,698	44,848,543
Loan to St. Rose Hospital	(3,000,000)	-	(3,000,000)	-
Payments received on St. Rose Hospital note receivable	1,850,000	-	1,850,000	-
Change in restricted cash	(1,528,451)	-	(1,528,451)	(5,443,443)
Net cash provided by investing activities	<u>5,849,927</u>	<u>-</u>	<u>5,849,927</u>	<u>2,948,077</u>
Net decrease in cash and cash equivalents	(312,160)	(70,500)	(382,660)	(794,949)
Cash and cash equivalents, beginning of year	<u>1,045,134</u>	<u>197,075</u>	<u>1,242,209</u>	<u>2,037,158</u>
Cash and cash equivalents, end of year	<u>\$ 732,974</u>	<u>\$ 126,575</u>	<u>\$ 859,549</u>	<u>\$ 1,242,209</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities				
Operating profit (loss)	\$ 3,723,271	\$ (939,171)	\$ 2,784,100	\$ (4,387,821)
Adjustments to reconcile operating loss to net cash provided by operating activities				
Depreciation	1,137,835	2,570,231	3,708,066	3,892,361
Amortization	184,013	179,850	363,863	381,688
Change in assets and liabilities				
Accounts receivable - tenants	(1,391)	28,726	27,335	237,255
Receivable - other	-	-	-	200,000
Deposits	-	-	-	1,600
Prepaid expenses	(12,488)	(6,387)	(18,875)	(16,775)
Other assets	-	(422,648)	(422,648)	-
Accounts payable and accrued liabilities	(288,998)	213,556	(75,442)	398,995
Taxes payable	-	-	-	-
Security deposits payable	19,909	47,332	67,241	(1,000)
Unearned rent	1,283	87,237	88,520	(31,063)
Grants payable	(6,000,000)	-	(6,000,000)	(357,500)
Net cash provided by (used in) operating activities	<u>\$ (1,236,560)</u>	<u>\$ 1,758,726</u>	<u>\$ 522,160</u>	<u>\$ 317,740</u>
<u>Supplemental disclosure of non-cash investing capital or financing activities</u>				
Change in fair value investments	<u>\$ (155,203)</u>	<u>\$ -</u>	<u>\$ (155,203)</u>	<u>\$ 28,779</u>