Report of Independent Auditors
and Financial Statements

EDEN TOWNSHIP HEALTHCARE DISTRICT
dba EDEN HEALTH DISTRICT

June 30, 2017 & 2016

JWT & Associates, LLP
Advisory Assurance Tax

EDEN TOWNSHIP HEALHCARE DISTRICT

Report of Independent Auditors and Financial Statements

Report of Independent Auditors..1-2

Management's Discussion and Analysis 3-10

Financial Statements

Consolidated Statements of Net Position 11
Consolidated Statements of Revenues, Expenses, and Changes in Net Position 12
Consolidated Statements of Cash Flows..13-14
Notes to Consolidated Financial Statements 15-32

Supplemental Information

Combining Statement of Net Position... 33
Combining Statement of Revenues, Expenses, and Changes in Net Position......................... 34

JWT & Associates, LLP

Advisory Assurance Tax

1111 East Herndon, Suite 211, Fresno, California 93720

Voice: (559) 431-7708 Fax:(559) 431-7685

Report of Independent Auditors

The Board of Directors
Eden Township Healthcare District
dba Eden Health District
Castro Valley, California

Report on the Financial Statements

We have audited the accompanying financial statements of Eden Township Healthcare District dba Eden Health District (the District) as of June 30, 2017, which comprise the statement of net position as of June 30, 2017, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Controller General of the United States and in accordance with the State Controller's Minimum Audit Requirements for Special Districts. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Eden Township Healthcare District dba Eden Health District at June 30, 2017, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Prior Year's Audit Report

The financial statements of the District as of June 30, 2016, and for the year then ended, were audited by other auditors whose report dated December 12, 2016, expressed an unmodified opinion on those statements.

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The information on pages 34 and 35 is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the U.S. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 be presented to supplement the 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 financial statements in an appropriate operational, economic, or historical context We have applied certain limited procedures in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing 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.

JWT & Associates, LLP

Fresno, California
November 20, 2017

Management's Discussion and Analysis

Eden Township Healthcare District
dba Eden Health District

Management's Discussion and Analysis

June 30, 2017 and 2016

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, 2017 and 2016.

Introduction to 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,		
	2017	2016	2015
Assets			
Current assets	$ 2,783,543	$ 950,070	$ 3,969,358
Investments	6,868,442	9,671,404	8,574,375
Capital assets, net of accumulated depreciation	42,986,081	42,955,008	74,125,518
Other assets	1,116,037	1,095,533	1,968,655
Total assets	$ 53,754,103	$ 54,672,015	$ 88,637,906

Eden Township Healthcare District
dba Eden Health District

Management's Discussion and Analysis

June 30, 2017 and 2016

	As of June 30,		
	2017	2016	2015
Liabilities and net position			
Current liabilities			
Current portion of loan payable	$ 479,361	$ 11,719,779	$ 44,917,367
Current portion of settlement payable	2,163,662	1,967,335	1,967,335
Other current liabilities	2,273,627	764,848	628,600
Total current liabilities	4,916,650	14,451,962	47,513,302
Loan payable, net of current portion	12,633,157	-	-
Settlement payable, net of current portion	13,027,323	13,771,348	15,738,383
Total liabilities	30,577,130	28,223,310	63,251,685
Net position	23,176,973	26,448,705	25,285,921
Total liabilities and net position	$ 53,754,103	$ 54,672,015	$ 88,537,606

Net position at June 30, 2017, decreased to $23,176,973 from $26,448,705 in 2016. The reduction was primarily attributable to an increase in liabilities of $2,353,820 coupled with a reduction in assets of $917,912. Other current liabilities increased $1,508,779 in FY17. This was primarily due to the accrual of tenant improvement expense of $1,487,337 for the 2nd floor of the Dublin Gateway Medical Center (DGMC). The loan payable for DGMC increased $1,392,739 as additional funds were used to fund the improvements.

The net settlement payable to Sutter Health decreased $547,698. The current liability portion of the settlement payable to Sutter Health increased $196,327 in FY17. In January 2016 Sutter Health filed an appeal with the Appeals Court contesting the judgment and grant of a ten year payment plan and reduced interest on the damages award. In November 2016 the court of appeals reversed the lower court's decision to reduce the interest rate during the period between the final judgment of the damages awarded and the date of entry of the order granting the lower interest. As a result, additional interest of $1,963,266 was added to the damages award balance. Since the judgment required the amount to be paid in 10 equal installments, $196,327 was added to the existing annual payment due in June 2018. The reduction in the long term portion was due to the 3rd installment payment of $2,163,662 coupled with the shortfall in the first 2 installment payments of $347,302 which was offset with the addition of $1,963,266 in additional interest.

Capital assets increased $31,073. This increase was due to new investments in building improvements of $301,091 and tenant improvements of $249,150. Building improvements increased $178,568 for the San Leandro Medical Arts Building (SLMAB) and $122,523 for the DGMC. Tenant improvements increased $126,244 for the Eden Medical Building (EMB) and $122,906 for the SLMAB. These increases were offset by depreciation expense of $2,136,954. Construction in progress increased $1,617,786. Of this increase, $1,425,692 were tenant improvements for the second floor of DGMC and $200,000 were building improvements. EMB had an increase of $9,612 in tenant improvements which were offset by a reduction of $17,518 in tenant improvements at SLMAB.

Current assets increased by $1,833,473. Of this increase, $1,887,288 was an increase in cash due to liquidation and maturity of certain investments. Tenant and other receivables decreased $40,592 and interest receivable decreased $11,942.

Other non-current assets increased $20,504. The increase was primarily due to increased prepaid leasing and loan fees of $31,084 which was offset with a decrease in goodwill of $10,580. Dublin Gateway's prepaid loan fees increased $87,202 which was due to the refinancing of the DGMC loan in April 2017. Prepaid leasing fees increased by $45,443 for EMB and by $8,342 for SLMAB. Both were due to additional space leased in FY17. These increases were offset with a decrease of $109,903 for DGMC's leasing fees due to the amortization of existing lease fees incurred prior to FY17.

Operating Results

	For the Year Ended June 30,		
	2017	2016	2015
Operating revenues			
Rental income	$ 3,550,545	$ 4,142,867	$ 4,707,863
Tenant reimbursements	1,709,054	962,724	947,041
Total operating income	5,259,599	5,105,591	5,654,904
Operating expenses			
Salaries and benefits	392,173	358,606	341,238
Consulting and community education	78,273	108,945	106,686
Audit fees	37,171	30,626	30,016
Public relations	22,656	23,725	11,756
Legal fees	114,222	119,446	298,311
Insurance	73,266	75,016	74,373
Purchased services	268,118	116,603	112,015
Rental property operating and maintenance	2,066,307	1,485,449	1,219,544
Taxes	134,178	332,095	394,663
Grants to service providers and community	534,450	1,728,722	223,330
Depreciation & amortization	2,354,286	3,413,309	3,976,868
Total operating expenses	6,075,100	7,792,542	6,788,800
Operating income (loss)	(815,501)	(2,686,951)	(1,133,896)
Net nonoperating revenues (expenses)	(2,456,231)	3,849,735	(20,151,927)
Increase (decrease) in net position	$ (3,271,732)	$ 1,162,784	$(21,285,823)

For the year ending June 30, 2017, the District's operating loss was $815,501 compared to an operating loss of $2,686,951 for the year ending June 30, 2016. Revenues increased to $5,259,599 compared to the prior year's revenue of $5,105,591. The increase was primarily attributable to the EMB where revenue's increased $100,403. Of this increase $58,638 was from the expansion of an existing tenant's leased space, and $29,154 was an increase in tenant reimbursements. The remaining balance of $12,611 was due to annual rental increases. SLMAB revenue increased $60,720. This was due to a combination of annual rental increases along with a full year of rental income from new tenants who took occupancy in FY16. DGMC's revenue increased $7,117 due to annual rental increases from existing tenants.

For the year ending June 30, 2017, operating expenses decreased by $1,717,442 to $6,075,100 from the prior year expenses of $7,792,542. Grant awards decreased by $1,194,272 in FY17. Of this decrease $1,293,356 was due to the FY16 grant to St. Rose in the form of loan forgiveness, including accrued interest. This decrease was offset with an increase of $99,084 in contributions toward the Davis Street Family Resource Center partnership. In November 2015, the District entered into the partnership with a five year commitment of $250,000 per year. Davis Street Health Center is a Federally Qualified Health Center, operated by Davis Street Family Resource Center, to provide services to the community. In FY16 the District provided $166,664 to Davis Street. In addition, community grants increased $15,748.

Rental property operating and maintenance increased $580,858. Of this increase $525,549 is from the DGMC. In FY16 one of the two buildings in the DGMC was sold to Palo Alto Medical Foundation (PAMF) who is an affiliate of Sutter Health. Both buildings share an enclosed atrium, common outside space and parking area. At the time of the sale (May 2016) a shared use agreement was executed whereas PAMF would contribute 46.37% to the cost of maintenance, repairs and a new parking program and DGMC would contribute 53.63%. As a result of the agreement billable expense to PAMF’s building increased $259,191 in FY17. Billable expense for Dublin Gateways tenants increased $90,392. Due to DGMC being fully leased, an on-site building manager was hired in FY16. This expense increased $98,558 due to the manager’s full year of employment. A new parking program was also implemented in FY16 to help alleviate parking congestion. The service increased expense by $135,408 in FY17. These increases were offset with a decrease of $20,134 for utilities, $17,739 for garbage and $20,127 in general repairs.

SLMAB had an increase of $31,282 in expenses. The increase was attributable to an increase in HVAC repairs of $11,970, general repairs of $11,057, parking lot repairs of $5,907, management fees of $6,490 and utilities of $5,542. These increases were offset with a decrease in electrical repair of $9,684. EMB had an increase of $24,027 in expenses. The increase was primarily due to higher HVAC repairs of $11,347, higher general repairs of $6,846 and higher utilities of $5,834. These increases were offset with lower depreciation and amortization expense of $1,055,262, and lower property taxes of $197,917. Depreciation and amortization expense along with property taxes were lower primarily due to the sale of the building at 4050 Dublin Boulevard in FY16, see above.

Other purchases services increased $151,514 in FY17. The increase was primarily due to fees associated with refinancing the DGMC building loan to a permanent debt (10 year term, 20 year amortization) provided by First Northern Bank.

Net non-operating expense was $2,456,229 compared to $3,849,735 of non-operating revenue in FY16. Non-operating revenue in FY16 was primarily due to the gain of $4,740,414 from the sale of DGMC's 4050 building. Non-operating expense in FY17 was primarily attributable to the award of $1,963,266 in post judgment interest to Sutter Health, along with the reduction in the fair value of investments by $89,083 and a reduction in interest income of $99,805. These additional expenses were offset with lower interest expense of $586,604. Lower interest expense was due to the pay down of the DGMC loan when DGMC's building was sold. Interest income was lower due to a lower investment value than FY16.

	As of June 30,		
	2017	2016	2015
Net position			
Invested in capital assets, net of related debt	$ 14,682,585	$ 15,496,546	$ 11,502,133
Restricted	-	-	3,330,302
Unrestricted	8,494,388	10,952,159	10,453,486
Total net position	$ 23,176,973	$ 26,448,705	$ 25,285,921

At June 30, 2017, total net position decreased by $3,271,732. Invested in capital assets net of related debt decreased $813,961. The decrease was primarily due to an increase of $2,136,945 in depreciation expense and $1,392,739 in the Dublin loan payable balance. These increases were offset with a decrease in the settlement awarded to Sutter Health of $547,698.

Unrestricted net assets decreased by $2,457,771. This decrease was primarily due to an increase in accounts payable and accrued liabilities of $1,544,156 along with a decrease in cash and investments of $915,674. The increase in accrued liabilities includes $1,487,337 for tenant improvements at Dublin Gateway. Other categories that contributed to the decrease were a reduction in receivables of $52,534, goodwill expense of $10,580 and increased security deposits of $6,241. These decreases were offset with an increase in prepaid leases and loan fees of $31,084 and lower unearned rent of $48,422.

Capital Assets

The District's capital assets include land, construction in progress, land improvements, buildings, tenant improvements and equipment. At June 30, 2017 and 2016, the District's investment in capital assets totaled $42,986,081 and $42,955,008 respectively. During 2017, the District's addition to depreciable capital assets was $470,126. Building improvements increased $301,091 and tenant improvements increased $249,150. These increases were offset by the retirement of $80,115 of building improvements. The balance of construction in progress at June 30, 2017, was $1,799,119 which was an increase of $1,617,786 during the year. Of this increase, $1,425,692 were tenant improvements for the second floor of DGMC.

Debt Administration

At June 30, 2017 the District's outstanding balance for loans payable was $13,112,518. 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 was secured by the SLMAB and $3,300,000 of marketable securities. The maturity date was 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 DGMC. 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 DGMC. 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 EMB, SLMAB and marketable securities of $3,326,397. The maturity date was February 1, 2016.

A seventh modification was executed on January 20, 2016. The maturity date of the note was extended to February 1, 2017 and the required unencumbered liquid assets were reduced from $8,000,000 to $6,000,000. The line of credit principal balance of $9,702,397 which was allocated amongst the SLMAB ($2,806,000), the EMB ($3,570,000), and marketable securities ($3,326,397) was consolidated with the notes commitment of $35,214,969 to form a single indebtedness in the principal amount of $44,917,366. In March 2016, one of the buildings in DGMC was sold and the proceeds of $33,197,588 were used to pay down the loan balance. The outstanding balance of loans payable was $11,719,779 as of June 30, 2016. US Bank extended the maturity date for one year to February 1, 2017. The District was in the process of obtaining permanent financing through a privately placed tax exempt offering and the existing loan with US Bank was further extended by six months. The permanent debt (10 year term, 20 year amortization) provided by First Northern Bank closed on April 3, 2017.

Economic Factors and Next Year's Budget

On June 30, 2017, the District has three rental properties for which income and expenses are included in the fiscal year 2017-2018 budget. The SLMAB continues to be occupied by long-term tenants and a few newer tenants with about 14% vacancy. The building produces a profit and this is expected to increase as rents gradually increase. Capital investments continue to be made. The EMB was first occupied in August 2012. On June 30, 2017 the occupancy was 70%. In August 2017 a new tenant will lease an additional 2,991 square feet. This will bring the building occupancy to 80% as a result. The EMB has had positive cash flow from first occupancy. This building continues to produce increasing cash flow although leasing still remains slow.

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 303, Castro Valley, CA 94546.

Basic Financial Statements

Eden Township Healthcare District
dba Eden Health District

Statements of Net Position

June 30, 2017 and 2016

	2017	2016
Assets		
Current Assets		
Cash and cash equivalents	$ 2,557,923	$ 670,635
Tenant receivables	82,334	137,586
Interest receivable	28,334	40,276
Other receivables	34,398	19,738
Prepaid expenses and deposits	80,554	81,835
Total current assets	2,783,543	950,070
Investmens	6,868,442	9,671,404
Capital assets, net of accumulated depreciation	42,986,081	42,955,008
Other assets	1,116,037	1,095,533
	$ 53,754,103	$ 54,672,015
Liabilities and Net Position		
Current liabilities		
Accounts payable and accrued expenses	$ 1,913,869	$ 369,713
Interest payable	35,621	31,318
Securtiy deposits held	179,748	173,507
Unearned rent	19,889	68,310
Grants payable	124,500	122,000
Current portion of loan payable	479,361	11,719,779
Current portion of settlement payable	2,163,662	1,967,335
Total current liabilities	4,916,650	14,451,962
Loan payable, net of current maturities	12,633,157	-
Settlement payable, net of current portion	13,027,323	13,771,348
Total liabilities	30,577,130	28,223,310
Net position		
Invested in capital assets, net of related debt	14,682,585	15,496,546
Unrestricted	8,494,388	10,952,159
Total net position	23,176,973	26,448,705
Total liabilities and net position	$ 53,754,103	$ 54,672,015

See accompanying notes to the financial statements

Eden Township Healthcare District
dba Eden Health District

Statements of Revenues, Expenses and Changes in Net Position

For The Years Ended June 30, 2017 and 2016

	2017	2016
Operating revenues		
Rental income	$ 3,550,545	$ 4,142,867
Tenant reimbursements	1,709,054	962,724
Total operating revenues	5,259,599	5,105,591
Operating expenses		
Salaries and benefits	392,173	358,606
Consulting and community education	78,273	108,945
Audit fees	37,171	30,626
Public relations	22,656	23,725
Legal fees	114,222	119,446
Insurance	73,266	75,016
Purchased services	268,118	116,603
Rental property operating and maintenance	2,066,307	1,485,449
Taxes	134,178	332,095
Grants to service providers and community	534,450	1,728,722
Depreciation & amortization	2,354,286	3,413,309
Total operating expenses	6,075,100	7,792,542
Operating income (loss)	(815,501)	(2,686,951)
Nonoperating revenues (expenses)		
Investment income (loss)	38,143	227,031
Interest expense	(531,106)	(1,117,710)
Other non-operating income (expense)	(1,963,268)	4,740,414
Total nonoperating revenues (expenses)	(2,456,231)	3,849,735
Increase (decrease) in net position	(3,271,732)	1,162,784
Net position, beginning of the year	26,448,705	25,285,921
Net position, end of year	$ 23,176,973	$ 26,448,705

See accompanying notes to the financial statements

Eden Township Healthcare District
dba Eden Health District

Statements of Cash Flows

For The Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Cash received from customers	$ 5,272,671	$ 5,051,274
Cash payments to suppliers of goods and services	(1,133,539)	(1,833,298)
Cash payments to employees for services	(387,870)	(351,795)
Grant payments	(531,950)	(549,222)
Tax payments	(134,178)	(332,095)
Net cash provided by operating activities	3,085,134	1,984,864
Cash flows from investing activities		
Investment income received	178,283	371,791
Net sale of investments	2,802,962	1,619,128
Net real and unreal gain (loss) on investments	(128,198)	(39,115)
Net cash provided by non-capital and related financing activities	2,853,047	1,951,804
Cash flows from capital and related financing activities		
Purchase of capital assets	(2,168,026)	(751,329)
Proceeds from sale of building	-	33,424,757
Proceeds from debt borrowings	13,270,300	-
Payments of long-term debt	(11,877,561)	(33,197,588)
Interest paid on capital debt	(526,803)	(1,181,293)
Change in prepaid lease and loan costs	(237,837)	(564,018)
Net settlement activity	(2,510,966)	(1,967,335)
Net cash used in capital and related financing activities	(4,050,893)	(4,236,806)
Increase (decrease) in cash and cash equivalents	1,887,288	(300,138)
Cash and cash equivalents at beginning of year	670,635	970,773
Cash and cash equivalents at end of year	$ 2,557,923	$ 670,635

See accompanying notes to the financial statements

Eden Township Healthcare District
dba Eden Health District

Statements of Cash Flows (continued)

For The Years Ended June 30, 2017 and 2016

	2017	2016
Reconciliation of income from operations to net cash provided by operating activities		
Operating income (loss)	$ (815,501)	$ (2,686,951)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	2,354,286	3,413,309
Loan forgivness	-	1,150,000
Changes in operating assets and liabilities		
Tenant receivables	55,252	(88,436)
Other receivables	(14,660)	11,720
Prepaid expenses	1,281	(25,185)
Accounts payable and accrued expenses	1,544,156	158,509
Security deposits held	6,241	-
Unearned rent	(48,421)	22,398
Grants payable	2,500	29,500
Net cash provided by operating activities	$ 3,085,134	$ 1,984,864

See accompanying notes to the 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 Hospitals (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 were members of EMC's eleven-member Board of Directors. Sutter Health is the other corporate member. This arrangement was terminated six months after construction began on the replacement hospital for Eden Medical Center, which was July 2009; six months later, in January 2010, the District board members resigned from the Eden Medical Center Board per the terms in the 2008 Amended Lease and Agreement between Sutter Health and the District.

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 fiscal year 2012.

In May 2007, the District, in partnership with Dublin Gateway, LLC, acquired 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. Dublin Gateway, LP was dissolved during fiscal year 2014 and Dublin Gateway, LLC was dissolved in May 2017.

The District owns three medical office properties; DGMC, San Leandro Medical Arts Building and the Eden Medical Building located 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 had 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.

1. Organization (continued)

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. In 2010 the bylaws of EHHSC were amended to rename EHHSC "Baywood Court" after the only remaining operational entity.

On September 16, 2015, the District received approval by it's Board of Directors to have a "dba" name of Eden Health District, that would not change the existing statutory name of Eden Township Healthcare District.

2. Summary of Significant Accounting Policies

Basis of Accounting and Financial Statement Presentation

The District's financial statements are presented in accordance with the pronouncements of the Governmental Accounting Standards Board (GASB). The financial statement presentation, required by GASB Statements No. 34, 37 and 38 provides a full accrual basis, comprehensive, entity-wide perspective of the District's assets, results of operations and cash flows. The District follows the "business-type activities" reporting requirements of GASB Statement No. 34.

In June 2015, the GASB issued Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments ("GASB No. 76"), which is effective for financial statements for periods beginning after June 15, 2015. The objective of GASB No. 76 is to identify, in the context of the current governmental financial reporting environment, the hierarch of generally accepted accounting principles ("GAAP"). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

The District reports information regarding its financial position and activities according to three classes of net position: invested in capital assets, net of related debt, restricted and unrestricted.

2. Summary of Significant Accounting Policies (continued)

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.

Restricted net position - 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.

Unrestricted net position - 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.

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.

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.

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.

2. Summary of Significant Accounting Policies (continued)

Fair Value Measurements

In February 2015, the GASB issued Statement No. 72, Fair Value Measurement and Application ("GASB No. 72"), which is effective for financial statements for periods beginning after June 15, 2015. GASB No. 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The District reports the fair value of its investments in accordance with GASB 72. This standard requires an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques)· to determine fair value. In addition, the District reports certain investments using the net asset value per share as determined by investment managers under the so called "practical expedient". The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met. Fair value measurement standards also require the District to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 reporting depending on lock up and notice periods associated with the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

- *Level 1* - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
- *Level 2* - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Level 2 also includes practical expedient investments with notice periods for redemption of 90 days or less.
- *Level 3* - Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation. Level 3 also includes principal expedient investments with notice periods for redemption of more than 90 days.

2. Summary of Significant Accounting Policies (continued)

Fair Value Measurements (continued)

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument, as well as the effects of market, interest and credit risk. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in the District's financial statements.

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 5 to 30 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.

Compensated Absences

District employees earn vacation and sick leave benefits at varying rates depending on their years of service at the District. Both benefits can accumulate up to specified maximum levels. Employees are not paid for accumulated sick leave benefits if they leave either upon termination or before retirement. However, accumulated vacation benefits are paid to an employee upon either termination or retirement. Accrued vacation liabilities as of June 30, 2017 and 2016 are $20,898 and $21,899, respectively.

2. Summary of Significant Accounting Policies (continued)

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. Actual results could differ from those estimates.

Subsequent events

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

3. Cash and Investments and Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the 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, 2017 and 2016, the District had cash and equivalents on deposit at banks of $3,195,772 and $2,332,005, respectively that were covered by depository insurance or collateralized by the pledging financial institution.

At June 30, 2016 and 2015 the balances on deposit at financial institutions in excess of federal depository insurance limits of $250,000 totaled $3,383,879 and $2,407,120 respectively, and were held in uncollateralized accounts.

4. Investments

The District's investment balances and average maturities were as follows at June 30, 2017 and 2016:

2017

		Investment Maturities in Years		
	Fair Value	Less than 1	1 to 5	Over 5
Corporate bonds	$ 3,702,988	$ 1,667,981	$ 2,035,007	$ -
U.S. Treasury notes	1,992,904	974,017	1,018,887	-
Fixed income securities	863,732	-	863,732	
U. S. government obligations	308,818	-	-	308,818
Total investments	$ 6,868,442	$ 2,641,998	$ 3,917,626	$ 308,818

2016

		Investment Maturities in Years		
	Fair Value	Less than 1	1 to 5	Over 5
Corporate bonds	$ 5,402,660	$ 2,433,585	$ 2,969,075	$ -
U.S. Treasury notes	2,998,486	1,465,488	1,532,998	-
Fixed income securities	871,297	-	871,297	-
U. S. government obligations	398,961	-	-	398,962
Total investments	$ 9,671,404	$ 3,899,073	$ 5,373,370	$ 398,962

Interest income, dividends, and both realized and unrealized gains and losses on investments are recorded as investment income. These amounts were $166,341 and $266,146 for the years ended June 30, 2017 and 2016, respectively. Total investment income includes both income from operating cash and cash equivalents and cash and cash equivalents related to assets limited as to use

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 Deposit	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 interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District's exposure to interest rate risk is minimal as 38% of their investments have a maturity of less than one year, 57% have a maturity of one year to five years and only 4% have a maturity of over 5 years. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the preceding schedules that shows the distribution of the District's investments by maturity.

4. Investments (continued)

Credit Risk

Credit risk is the risk that the issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization, such as Moody's Investor Service, Inc. The District's investments in such obligations are in corporate bonds, U.S. Treasury notes, fixed income securities and U.S. government obligations. The District believes that there is minimal credit risk with these obligations at this time.

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 agency. The District did not hold any investments at June 30, 2017 and 2016 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.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District diversifies its portfolio as required by the California Government Code. The District's investments are held as follows: governmental agencies 88% and banks 12%. None of the District's individual investments were greater than 5% of the District's investments as a whole.

5. Fair Value Measurements

The following table sets forth by level, within the fair value hierarchy, the District's assets at fair value as of June 30, 2017 and 2016:

2017	Level 1	Level 2	Level 3	Total
Corporate bonds	$ 3,702,988	$ -	$ -	$ 3,702,988
U.S. Treasury notes	1,992,904	-	-	1,992,904
Fixed income securities	863,732	-	-	863,732
U. S. government obligations	308,818	-	-	308,818
Total assets at fair value	$ 6,868,442	$ -	$ -	$ 6,868,442

2016	Level 1	Level 2	Level 3	Total
Corporate bonds	$ 5,402,660	$ -	$ -	$ 5,402,660
U.S. Treasury notes	2,998,486	-	-	2,998,486
Fixed income securities	871,297	-	-	871,297
U. S. government obligations	398,961	-	-	398,961
Total assets at fair value	$ 9,671,404	$ -	$ -	$ 9,671,404

6. Capial Assets

Capital assets as of June 30, 2017 and 2016 were comprised of the following:

	Balance at June 30, 2016	Transfers & Additions	Transfers & Retirements	Balance at June 30, 2017
Land and land improvements	$ 13,057,215	$ -	$ -	$ 13,057,215
Buildings	35,279,907	-		35,279,907
Building improvements	4,218,582	181,092	39,886	4,439,560
Tenant improvements	4,231,031	161,514	87,634	4,480,179
Equipment	27,989	-	-	27,989
Construction-in-progress	181,333	1,828,178	(210,392)	1,799,119
Totals at historical cost	56,996,057	2,170,784	(82,872)	59,083,969
Less accumulated depreciation	(14,041,049)	$ (2,136,954)	$ 80,115	(16,097,888)
Capital assets, net	$ 42,955,008			$ 42,986,081

	Balance at June 30, 2015	Transfers & Additions	Transfers & Retirements	Balance at June 30, 2016
Land and land improvements	$ 13,029,187	$ 28,028	$ -	$ 13,057,215
Buildings	75,430,535	-	(40,150,628)	35,279,907
Building improvements	4,060,402	179,901	(21,721)	4,218,582
Tenant improvements	6,305,754	370,074	(2,444,797)	4,231,031
Equipment	27,989	-	-	27,989
Construction-in-progress	135,068	173,333	(127,068)	181,333
Totals at historical cost	98,988,935	751,336	(42,744,214)	56,996,057
Less accumulated depreciation	(24,863,417)	$ (3,237,500)	$ 14,059,868	(14,041,049)
Capital assets, net	$ 74,125,518			$ 42,955,008

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. In April 2015, the District sold its partnership interest in the San Leandro SurgiCenter. As a result of the sale, the remaining goodwill associated with SurgiCenter was written off as of June 30, 2015. The remaining goodwill is attributable to the District's interest in the San Leandro Medical Arts Building in the amount of $211,604. 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. Amortization expense related to goodwill was $10,580 for the years ended June 30, 2017 and 2016, respectively. Total accumulated amortization related to goodwill was $137,543 and $126,963 for the year ended June 30, 2017 and 2016, respectively.

8. Long-term Liabilities

Bank Loan Payable

At June 30, 2017 the District’s bank loan payable balance was $13,112,518. The original note was obtained on May 17, 2007 with US Bank for a maximum amount of $54,000,000 for the construction of the Dublin Gateway Center. 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 $7,000,000 for tenant improvements, $500,000 for the payment of leasing commissions and $1,400,000 for interest reserves. 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 $46,202,398. 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.

8. Long-term Liabilities (continued)

Bank Loan Payable (continued)

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.

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 2.90% (LIBOR plus 2.75 points) and 2.94% (LIBOR plus 2.75 points), respectively as of June 30, 2015.

A seventh modification was executed on January 20, 2016. The maturity date of the note was extended to February 1, 2017 and the required unencumbered liquid assets were reduced from $8,000,000 to $6,000,000. The line of credit was closed and the principal balance of $9,702,397 which was allocated amongst the San Leandro Medical Arts Building ($2,806,000), the Eden Medical Building ($3,570,000), and marketable securities ($3,326,397) was consolidated with the notes commitment of $35,214,969 to form a single indebtedness in the principal amount of $44,917,367. The variable interest rate on the note was 3.21% (LIBOR plus 2.75 points) as of June 30, 2016.

8. Long-term Liabilities (continued)

Bank Loan Payable (continued)

When Sutter exercised its right to purchase the 4050 Dublin Boulevard building, which was solely occupied by Sutter Health's affiliate, Palo Alto Medical Foundation, the sale resulted in a reduction in principal of $33,197,587. An eighth modification was executed on January 30, 2017 which extended the maturity date from February 1, 2017 to August 1, 2017. At the time of the modification the District was in the process of obtaining long term financing through a privately placed tax-exempt offering. On April 3, 2017 the District obtained new debt from First Northern Bank and the existing loan with US Bank was paid in full. The new debt of $13,235,000 is for a ten (10) year term and will be amortized over twenty (20) years. The interest rate is fixed at 3.25%.

Settlement Payable to Sutter Health

This liability is associated with damages awarded to Sutter Health as the result of a lawsuit. The damages awarded is a combination of losses incurred by Sutter Health for the duration of the lawsuit (March 2010 to April 2012) of $17,179,860, and legal fees and costs and interest of $2,493,493 plus post judgment interest of $1,963,266 awarded March 2017. Future interest payments to be made are based upon the current year Treasury note rate.

Changes in the District's long-term liabilities for the fiscal year ended June 30, 2017 and 2016:

	Balance at June 30, 2016	Additions	Paydowns	Balance at June 30, 2017
Bank loan	$ 11,719,779	$ 13,270,300	$(11,877,561)	$ 13,112,518
Sutter settlement	15,738,683	1,963,266	(2,510,964)	15,190,985
	$ 27,458,462	$ 15,233,566	$(14,388,525)	$ 28,303,503

	Balance at June 30, 2015	Additions	Paydowns	Balance at June 30, 2016
Bank loan	$ 44,917,367	$ -	$(33,197,588)	$ 11,719,779
Sutter settlement	17,706,018	-	(1,967,335)	15,738,683
	$ 62,623,385	$ -	$(35,164,923)	$ 27,458,462

8. Long-term Liabilities (continued)

Scheduled net debt service payments including interest for fiscal years ending June 30:

	Principal	Interest	Total
2018	$ 2,643,023	$ 424,936	$ 3,067,959
2019	2,659,060	408,898	3,067,958
2020	2,674,553	393,405	3,067,958
2021	2,692,727	375,232	3,067,959
2022	2,710,427	357,531	3,067,958
Thereafter	14,923,713	1,438,926	16,362,639
	$ 28,303,503	$ 3,398,928	$ 31,702,431

9. Medical Office Building Future Rental Income

The future minimum rental income from operating leases as of June 30, 2017 is as follows:

	Eden Medical Building	San Leandro Medical Arts	Dublin Gateway	Total
2018	$ 451,057	$ 762,411	$ 2,178,598	$ 3,392,066
2019	436,924	528,777	2,189,408	3,155,109
2020	432,567	431,488	2,203,263	3,067,318
2021	361,926	350,745	2,269,361	2,982,032
2022	322,654	221,568	2,337,442	2,881,664
Thereafter	1,492,846	597,044	7,052,985	9,142,875
	$ 3,497,974	$ 2,892,033	$ 18,231,057	$ 24,621,064

10. 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 $16,106 and $15,651 for the years ended June 30, 2017 and 2016, respectively.

11. 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 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 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 had been funded by EMC (Sutter Health). The proposed purchase price by EMC (Sutter Health) is $0. The Trial Court ruled in favor of Sutter Health 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, had not been determined and may remain subject to court determination or agreement with Sutter Health.

11. Commitments and Contingencies (continued)

The District and Sutter Health were discussing a possible settlement which would involve the sale of some assets to Sutter Health and a modification of the total damages, costs and interest that Sutter Health has claimed. These discussions ended in a stalemate in May 2015 and the District filed a hardship motion in court, arguing that the sale of assets to settle the damages claim in full would irreparably harm the District and its constituents of future earnings and appreciation of its assets and that it should have the full statutory time to make installment payments on the amount owed. The Court granted the District's motion in its entirety, including a reduction in the interest rate to the interest on a one-year Treasury Bill. On August 19, 2015 Sutter Health filed a notice of intent to appeal this ruling. On January 5, 2016 Sutter Health filed an appeal with the Appeals Court contesting the judgment and the grant of a ten year payment plan and reduced interest rates. This case has been fully briefed and oral arguments have not been scheduled as of the date the financial statements were available to be issued in FY16.

The District owed Sutter Health $19,673,353 on the damages claim, court costs, fees and pre-judgment interest. This is the amount to be paid to Sutter Health along with annual interest payments based on the 1-Year Treasury Bill interest on January 1 of each year. The first installment, due on June 30, 2015, was one-tenth of the amount owed, $1,967,335 plus interest for the period from January 8, 2014 to December 31, 2014, with the interest on a 1-Year Treasury Bill as of January 1, 2015. This payment was made on June 30, 2015. The second installment, due on June 30, 2016, was one-tenth of the amount owed, $1,967,335 plus interest for the period from January 8, 2015 to December 31, 2015, with the interest on a 1-Year Treasury Bill as of January 1, 2016. This payment was made on June 30, 2016. The remaining balance due on this obligation as of June 30, 2016, is $15,738,683.

On January 5, 2016 Sutter Health filed an appeal with the Appeals Court contesting the judgment and grant of a reduced interest rate for the time period between the award for damages and the Court's grant of a reduced interest and payments over ten years. In November 2016 the appeals court ruled in favor of Sutter's motion.

On January 5, 2016 Sutter Health filed an appeal with the Appeals Court contesting the judgment and grant of a ten year payment plan and reduced interest rate for the damages award. On November 29, 2016 the court of appeals reversed the lower court's decision for reduced interest during the period between the final judgment of the damages awarded (January 8, 2014) and the date of entry of the order granting the District annual payments over 10 years (June 17, 2015). Additional interest owed for this period is $1,963,266.

11. Commitments and Contingencies (continued)

New Legislation

AB2737 Nonprovider Health Care Districts (Bonta), was signed into law on September 21, 2016 and took effects on January 1, 2017. The legislation targets Districts that don't operate hospitals, clinics or ambulance services. The law mandates that if a healthcare district in California does not operate a hospital, clinic or ambulance service, then it shall contribute at least 80% of its annual budget on community grants awarded to organizations that provide direct health services and not more than 20% of its annual budget on administrative expenses. The parameters of this bill were established specifically to address the Eden Health District, and have subsequently been amended to be more general in nature and apply to all such Districts. The act does not have a specific enforcement mechanism so it is altogether unclear who is responsible for enforcing the law. Based on management's current analysis, it believes the District is in compliance with the new bill's requirements.

12. Income Taxes

The District is a political subdivision of the State of California organized under the Local Health Care District Law as set forth in the Health and Safety Code of the State of California. The District has been determined to be exempt from income taxes under Local Health Care District Law. Accordingly, no provision for income taxes is included in the accompanying financial statements. The District is no longer subject to examination by federal or state authorities for years prior to June 30, 2013, nor has it been notified of any impending examination and no examinations are currently in process.

Supplemental Information

Eden Township Healthcare District
dba Eden Health District

Combining Statement of Net Position

	June 30, 2017					
	District Office	Dublin Gateway Medical Center	San Leandro Medical Arts Building	Eden Medical Building	Eden Health District Total	Eden Health District Total 2016
Assets						
Current Assets						
Cash and cash equivalents	$ 2,122,694	$ 307,672	$ 50,951	$ 76,606	$ 2,557,923	$ 670,635
Tenant receivables	-	55,066	7,251	20,017	82,334	137,586
Interest receivable	28,334	-	-	-	28,334	40,276
Other receivables	32,133	-	2,265	-	34,398	19,738
Prepaid expenses and deposits	8,537	61,988	7,391	2,638	80,554	81,835
Total current assets	2,191,698	424,726	67,858	99,261	2,783,543	950,070
Investments	6,868,442	-	-	-	6,868,442	9,671,404
Capital assets, net of accumulated depreciation	931	32,478,680	2,141,444	8,365,026	42,986,081	42,955,008
Other assets	74,061	941,315	8,342	92,319	1,116,037	1,095,533
	$ 9,135,132	$ 33,844,721	$ 2,217,644	$ 8,556,606	$ 53,754,103	$ 54,672,015
Liabilities and Net Position						
Current liabilities						
Accounts payable and accrued expenses	$ 114,970	$ 1,737,862	$ 31,545	$ 29,492	$ 1,913,869	$ 369,713
Interest payable	-	35,621	-	-	35,621	31,318
Security deposits held	-	132,890	6,656	40,202	179,748	173,507
Unearned rent	-	-	4,948	14,941	19,889	68,310
Grants payable	124,500	-	-	-	124,500	122,000
Current portion of loan payable	-	479,361	-	-	479,361	11,719,779
Current portion of settlement payable	2,163,662	-	-	-	2,163,662	1,967,335
Total current liabilities	2,403,132	2,385,734	43,149	84,635	4,916,650	14,451,962
Loan payable, net of current portion	-	12,633,157	-	-	12,633,157	-
Settlement patable, net of current portion	13,027,323	-	-	-	13,027,323	13,771,348
Total liabilities	15,430,455	15,018,891	43,149	84,635	30,577,130	28,223,310
Net position						
Invested in capital assets, net of related debt	(15,190,047)	19,366,162	2,141,444	8,365,026	14,682,585	15,496,546
Unrestricted	8,894,724	(540,332)	33,051	106,945	8,494,388	10,952,159
Total net position	(6,295,323)	18,825,830	2,174,495	8,471,971	23,176,973	26,448,705
Total liabilities and net position	$ 9,135,132	$ 33,844,721	$ 2,217,644	$ 8,556,606	$ 53,754,103	$ 54,672,015

Eden Township Healthcare District
dba Eden Health District

Combining Statement of Revenues, Expenses and Changes in Net Position

	For the Year Ended June 30, 2017						
	District Office	Community Services	Dublin Gateway Medical Center	San Leandro Medical Arts Building	Eden Medical Building	Eden Health District Total	Eden Health District Total 2016
Operating revenues							
Rental income	$ -	$ -	$ 2,207,966	$ 925,117	$ 417,462	$ 3,550,545	$ 4,142,867
Tenant reimbursements	-	-	1,580,797	3,642	124,615	1,709,054	962,724
Total operating revenues	-	-	3,788,763	928,759	542,077	5,259,599	5,105,591
Operating expenses							
Salaries and benefits	392,173	-	-	-	-	392,173	358,606
Consulting and community education	44,721	33,552	-	-	-	78,273	108,945
Audit fees	34,650	-	2,521	-	-	37,171	30,626
Public relations	22,656	-	-	-	-	22,656	23,725
Legal fees	69,742	-	37,265	-	7,215	114,222	119,446
Insurance	27,255	-	19,443	17,424	9,144	73,266	75,016
Purchased services	110,722	-	154,945	-	2,451	268,118	116,603
Rental property operating and maintenance	-	-	1,287,258	542,962	236,087	2,066,307	1,485,449
Taxes	-	-	134,178	-	-	134,178	332,095
Grants to service providers and community	-	534,450	-	-	-	534,450	1,728,722
Depreciation & amortization	16,177	-	1,377,945	371,670	588,494	2,354,286	3,413,309
Total operating expenses	718,096	568,002	3,013,555	932,056	843,391	6,075,100	7,792,542
Operating income (loss)	(718,096)	(568,002)	775,208	(3,297)	(301,314)	(815,501)	(2,686,951)
Nonoperating revenues (expenses)							
Investment income (loss)	35,747	-	1,199	-	1,197	38,143	227,031
Interest expense	(124,627)	-	(406,464)	-	(15)	(531,106)	(1,117,710)
Other non-operating income (expense)	(1,963,268)	-	-	-	-	(1,963,268)	4,740,414
Total nonoperating revenues (expenses)	(2,052,148)	-	(405,265)	-	1,182	(2,456,231)	3,849,735
Net gain (loss) before allocation	(2,770,244)	(568,002)	369,943	(3,297)	(300,132)	(3,271,732)	1,162,784
Allocation of revenues (expenses)	1,944,511	568,002	(2,392,528)	(62,646)	(57,339)	-	-
Increase (decrease) in net position	(825,733)	-	(2,022,585)	(65,943)	(357,471)	(3,271,732)	1,162,784
Net position, beginning of year	(5,469,590)	-	20,848,415	2,240,438	8,829,442	26,448,705	25,285,921
Net position, end of year	(6,295,323)	-	18,825,830	2,174,495	8,471,971	23,176,973	26,448,705