

Report of Independent Auditors
and Financial Statements

EDEN TOWNSHIP HEALTHCARE DISTRICT
dba EDEN HEALTH DISTRICT

June 30, 2023 & 2022

JWT & Associates, LLP
Advisory Assurance Tax

EDEN TOWNSHIP HEALTHCARE DISTRICT

Report of Independent Auditors and Financial Statements

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Report of Independent Auditors

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

Report on the Audit of the Financial Statements Opinion

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of Eden Township Healthcare District dba Eden Health District (the District), as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and fiduciary activities of the District, as of June 30, 2023 and 2022, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Emphasis of Matter

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The management's discussion and analysis (MD&A) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the MD&A is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 18, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

JWT & Associates, LLP

Fresno, California
October 18, 2023

Management's Discussion and Analysis

Eden Township Healthcare District
dba Eden Health District

Management's Discussion and Analysis

June 30, 2023 and 2022

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, 2023 and 2022.

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,		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Assets			
Current assets	\$ 2,142,661	\$ 2,575,482	\$ 1,298,739
Investments	4,560,219	4,220,240	3,382,185
Capital assets, net of accumulated depreciation	30,530,782	32,235,359	34,006,573
Other assets	498,485	494,022	634,174
Total assets	<u>\$ 37,732,147</u>	<u>\$ 39,525,103</u>	<u>\$ 39,321,671</u>

Eden Township Healthcare District
dba Eden Health District

Management's Discussion and Analysis

June 30, 2023 and 2022

	As of June 30,		
	2023	2022	2021
Liabilities and net position			
Current liabilities			
Current portion of loan payable	\$ 583,122	\$ 565,098	\$ 546,805
Current portion of settlement payable	2,171,218	2,171,221	2,171,221
Other current liabilities	674,219	653,767	831,784
Total current liabilities	3,428,559	3,390,086	3,549,810
Loan payable, net of current portion	9,402,781	9,985,873	10,550,951
Settlement payable, net of current portion	-	2,171,218	4,342,439
Total liabilities	12,831,341	15,547,177	18,443,200
Net position	24,900,808	23,977,926	20,878,473
Total liabilities and net position	\$ 37,732,147	\$ 39,525,103	\$ 39,321,671

Net position as of June 30, 2023, increased to \$24,900,808 from \$23,977,926 in 2022. The change was primarily attributable to the paydown of the debt to Sutter Health of \$2,171,218, and the paydown of principal for the Dublin Gateway Medical Center's (DGMCC) building loan of \$565,068. These increases in net position were offset with a decrease in depreciable assets by depreciation expense of \$1,704,577.

Current assets as of June 30, 2023, decreased to \$2,142,661 from \$2,575,482 in 2022. The decrease was primarily attributable to a reduction in accounts receivable by \$500,000.

On June 21, 2022, the District board of directors and Baywood Court's board of directors reached an agreement to remove the District as a general member of Baywood Court and transfer the governance of Baywood Court from the District's board of directors to Baywood Court's board of directors. Under the terms of the agreement, the District would receive an initial distribution of \$2,000,000 from Baywood Court upon the certification of the revised articles of incorporation by the California Secretary of State. At June 30, 2022, the payment of \$2,000,000 was included within accounts receivable on the Statement of Financial Position. Per the agreement, the District will receive an additional nine to eleven subsequent annual participation distributions, depending upon certain performance conditions. As of June 30, 2023, Baywood Court anticipates sending EHD a participation distribution payment of \$1,500,000 which was included within accounts receivable on the Statement of Financial Position.

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Management's Discussion and Analysis

June 30, 2023 and 2022

Capital assets decreased \$1,704,577 in FY23 and was due to depreciation expense. There were no new investments in capital assets made during FY23. Investments increased \$339,979 in FY23. The increase was due to net cash deposits of \$298,990 and interest income of \$131,586 which was offset with realized losses of \$63,806, fees of \$19,915 and an increase in unrealized losses on investments of \$6,876.

Total liabilities decreased to \$12,831,341 from \$15,547,177 in FY22. The decrease of \$2,715,836 was primarily due to the payment to Sutter Health of \$2,171,221 and the Dublin Gateway Medical Center (DGMC) building loan principal payment of \$565,068. The payment made to Sutter Health was the 9th payment of 10 installments per the damages awarded settlement. The final payment to Sutter will be made on June 30, 2024.

Eden Township Healthcare District
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Management's Discussion and Analysis

June 30, 2023 and 2022

Operating Results

	For the Year Ended June 30,		
	2023	2022	2021
Operating revenues			
Rental income	\$ 3,556,871	\$ 3,371,090	\$ 3,223,982
Tenant reimbursements	2,035,517	1,835,709	1,789,747
Total operating income	5,592,387	5,206,799	5,013,730
Operating expenses			
Salaries and benefits	599,065	572,787	573,601
Consulting and community education	81,909	142,867	162,795
Audit fees	20,600	19,570	19,570
Public relations	798	798	847
Legal fees	1,077	16,915	26,816
Insurance	74,075	70,098	65,155
Purchased services	424,563	101,480	810,284
Rental property operating and maintenance	1,792,532	1,597,885	1,584,181
Taxes	233,725	225,316	223,706
Grants to service providers and community	741,498	127,667	184,500
Depreciation & amortization	1,845,817	1,953,289	1,951,027
Total operating expenses	5,815,659	4,828,672	5,602,482
Operating income (loss)	(223,272)	378,127	(588,752)
Net nonoperating revenues (expenses)	1,146,148	2,721,326	(382,242)
Increase (decrease) in net position	\$ 922,877	\$ 3,099,453	\$ (970,995)

Total operating income increased to \$5,592,387 from \$5,206,799 and total operating expenses increased to \$5,815,659 from \$4,828,672. The result was a net operating loss of \$223,272 for the year ending June 30, 2023, compared to a net operating gain of \$378,127 for the year ending June 30, 2022. Net non-operating revenue was \$1,146,148 in FY23 and was a decrease of \$1,575,178 compared to the net-operating gain of \$2,721,326 in FY22.

Eden Township Healthcare District dba Eden Health District

Management's Discussion and Analysis

June 30, 2023 and 2022

Rental income increased \$185,781, and tenant reimbursements increased \$199,808 in FY23. The Dublin Gateway Medical Center (DGMC) contributed \$171,335 to the increase in rental revenue and the Eden Medical building (EMB) contributed \$14,446. The increase of \$171,335 for the DGMC was primarily due to the renewal of an existing tenant lease which accounts for \$105,839 of the increased amount. The remaining increase of \$65,496 is attributable to annual rent increases from DGMC's existing tenants. The increase in rental income for the EMB was from annual rent increases from existing tenants and the renewal of an existing tenant lease. Tenant reimbursements increased by \$199,808 in FY23 and is directly attributable to the increase in billable operating expenses by \$194,647. Both buildings were fully occupied as of June 30, 2023, and have long term leases in place.

Operating expenses increased \$986,987 in FY23 compared to FY22. The increase was primarily attributable to an increase in grants and sponsorship awards by \$613,831, election expense of \$319,238 and higher rental property operating and maintenance expense by \$194,647.

Grants and sponsorships increased by \$613,831 in FY23. In January 2022, EHD received \$1,250,663 from the California Independent Special Districts Covid-19 Relief Fund. The fund had \$100M available to special districts in California and came about after the California Special District Association (CSDA) spent over a year working on behalf, and in coordination with individual special districts, stakeholders, and local government partners. These funds provided the opportunity for EHD to award \$321,498 in grants and sponsorship to the community and another \$420,000 in seed funding to La Familia to assist them in the launching of a Federally Qualified Health Center Look-A-Like.

Election expense of \$319,238 was for two (2) board members whose terms expired in December 2022. The expense was lower by \$397,479 compared to the expense for the election held in November 2021. The reduction in expense was due to the restructure of the District's election system from an at-large election structure which allowed voters from the entire District to elect all five (5) board members to a by-district (zones) election system which broke down the District's election area into zones. Each zone has a board member who resides within the zone and is now chosen by voters residing in that particular zone.

Rental property operating and maintenance expenses increased by \$194,647 in FY23 compared to FY22. The primary expense category contributing to the increase was valet parking expense for the Dublin Gateway Medical Center (DGMC) which was higher by \$95,601. Foot traffic at the DGMC increased significantly in FY23, and additional valet attendants were hired, and additional parking spaces were rented to accommodate the increased demand. Utility expenses for both the DGMC and the Eden Medical building (EMB) were higher by \$58,962 compared to FY22 and new carpet was installed throughout the common areas of the EMB and the expense was \$24,800.

**Eden Township Healthcare District
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Management's Discussion and Analysis

June 30, 2023 and 2022

Consulting and community education expenses were lower by \$60,958 in FY23 compared to FY22. Consulting expenses were higher by \$72,561 in FY22 due to the engagement of consultants to assist EHD with redistricting the District's election structure and to assist the District with government relations with regards to the possibility of establishing a taxing authority to raise additional funds to continue improving the health outcomes for vulnerable populations and to support safety net hospitals like St. Rose Hospital in Hayward, California and San Leandro hospital in San Leandro, California. The reduction in consulting was offset with an increase of \$11,603 for grant administration.

Net non-operating gain decreased to \$1,146,148 in FY23 compared to \$2,721,320 in FY22. Net non-operating gain was higher by \$1,575,178 in FY22 primarily due to the award and receipt of \$1,250,663 from the California Independent Special Districts Covid-19 Relief Fund. In FY22 the District also received the initial distribution payment of \$2,000,000 from Baywood Court which was \$500,000 more than the second payment of \$1,500,000 to be received for FY23.

Per the transfer of governance agreement between Baywood Court (BWC) and Eden health District's (EHD) board of directors an initial distribution of \$2,000,000 was made in FY22. The initial payment is to be followed by nine to eleven subsequent annual participation distributions, depending upon certain performance conditions. The distributions in years two to six are contingent on BWC maintaining a minimum debt service coverage ratio of 1.35 and a ratio of 1.5 for years seven to ten. Under the agreement, BWC remits to EHD participation distributions for performance in excess of the coverage ratio, subject to a \$1,500,000 and \$1,700,000 maximum in years two to six and years seven to ten, respectively. If the distributions in years two to six fall below \$1,000,000 for any year, an additional participation year will be added to the agreement term. Similarly, if any distributions in years seven to ten fall below \$1,000,000, an additional participation year is added. Under the agreement BWC will cease to make distributions after the 12th anniversary of the effective date.

	As of June 30,		
	2023	2022	2021
Net position			
Invested in capital assets, net of related debt	\$ 20,544,878	\$ 21,684,387	\$ 22,908,817
Unrestricted	4,355,929	2,293,539	(2,030,344)
Total net position	\$ 24,900,808	\$ 23,977,926	\$ 20,878,473

At June 30, 2023, total net position increased \$922,882 from \$23,977,926 to \$24,900,808. Net assets Invested in capital assets, net of related debt, decreased \$1,139,509 due to depreciation expense of \$1,704,577 which was offset with the paydown of the DGMC loan by \$565,068. Unrestricted net assets increased by \$2,062,395 due to a positive change in net assets which was offset by decreases in net assets invested in capital assets net of related debt.

Eden Township Healthcare District
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Management's Discussion and Analysis

June 30, 2023 and 2022

Capital Assets

The District's capital assets include land, construction in progress, land improvements, buildings, tenant improvements and equipment. At June 30, 2023 and 2022, the District's investment in capital assets totaled \$30,530,782 and \$32,235,359 respectively. During 2023, the District's reduction to depreciable capital assets was \$1,704,577.

Debt Administration

At June 30, 2018 the District's outstanding balance for loans payable was \$12,633,128. 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.

Eden Township Healthcare District dba Eden Health District

Management's Discussion and Analysis

June 30, 2023 and 2022

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, 2023, the District has two rental properties for which income and expenses are included in the fiscal year 2023-2024 budget. The Dublin building (DGMC) continues to be occupied by long-term tenants, is 100% occupied and produces positive cash flow. The buildings capital budget for fiscal year 2023-2024 includes two (2) new HVAC system and the cost is estimated to be \$3000,000.

The District continues to look into the possibility of establishing a taxing authority to raise additional funds to continue improving the health outcomes for vulnerable populations, and support safety net hospitals like St. Rose Hospital in Hayward, California and San Leandro Hospital in San Leandro, California. The District will also use the funds raised toward emergency preparedness for the future.

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, 2023 and 2022

	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	\$ 479,908	\$ 523,406
Tenant receivables	51,088	7,259
Interest receivable	25,526	14,416
Other receivables	1,500,000	2,000,000
Prepaid expenses and deposits	86,139	30,401
Total current assets	2,142,661	2,575,482
Investments	4,560,219	4,220,240
Capital assets, net of accumulated depreciation	30,530,782	32,235,359
Other assets	498,485	494,022
	\$ 37,732,147	\$ 39,525,103
 Liabilities and Net Position		
Current liabilities		
Accounts payable and accrued expenses	\$ 271,661	\$ 328,955
Interest payable	27,176	28,702
Security deposits held	167,322	167,322
Unearned rent	58,060	52,121
Grants payable	150,000	76,667
Current portion of loan payable	583,122	565,098
Current portion of settlement payable	2,171,218	2,171,221
Total current liabilities	3,428,559	3,390,086
Loan payable, net of current maturities	9,402,781	9,985,873
Settlement payable, net of current portion	-	2,171,218
Total liabilities	12,831,341	15,547,177
Net position		
Invested in capital assets, net of related debt	20,544,878	21,684,387
Unrestricted	4,355,929	2,293,539
Total net position	24,900,808	23,977,926
Total liabilities and net position	\$ 37,732,147	\$ 39,525,103

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, 2023 and 2022

	2023	2022
Operating revenues		
Rental income	\$ 3,556,871	\$ 3,371,090
Tenant reimbursements	2,035,517	1,835,709
Total operating revenues	5,592,387	5,206,799
Operating expenses		
Salaries and benefits	599,065	572,787
Consulting and community education	81,909	142,867
Audit fees	20,600	19,570
Public relations	798	798
Legal fees	1,077	16,915
Insurance	74,075	70,098
Purchased services	424,563	101,480
Rental property operating and maintenance	1,792,532	1,597,885
Taxes	233,725	225,316
Grants to service providers and community	741,498	127,667
Depreciation & amortization	1,845,817	1,953,289
Total operating expenses	5,815,659	4,828,672
Operating income (loss)	(223,272)	378,127
Nonoperating revenues (expenses)		
Investment income (loss)	72,083	(162,308)
Interest expense	(450,435)	(373,836)
Other non-operating income (expense)	1,524,500	3,257,469
Total nonoperating revenues (expenses)	1,146,148	2,721,326
Increase (decrease) in net position	922,877	3,099,453
Net position, beginning of the year	23,977,926	20,878,473
Net position, end of year	\$ 24,900,808	\$ 23,977,926

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, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Cash received from customers	\$ 5,554,497	\$ 5,318,306
Cash payments to suppliers of goods and services	(2,512,890)	(2,136,781)
Cash payments to employees for services	(594,762)	(568,484)
Grant payments	(668,165)	(117,667)
Tax payments	(233,725)	(225,316)
Net cash provided by operating activities	1,544,955	2,270,058
Cash flows from investing activities		
Investment income received	2,156,155	1,325,563
Net sale of investments	(339,979)	(838,055)
Net real and unreal gain (loss) on investments	(70,676)	(232,908)
Net cash provided by non-capital and related financing activities	1,745,500	254,600
Cash flows from capital and related financing activities		
Purchase of capital assets	-	(36,635)
Payments of long-term debt	(565,068)	(546,785)
Interest paid on capital debt	(451,961)	(375,313)
Change in prepaid lease and loan costs	(145,703)	(5,288)
Net settlement activity	(2,171,221)	(2,171,221)
Net cash used in capital and related financing activities	(3,333,953)	(3,135,242)
Increase (decrease) in cash and cash equivalents	(43,498)	(610,584)
Cash and cash equivalents at beginning of year	523,406	1,133,990
Cash and cash equivalents at end of year	\$ 479,908	\$ 523,406

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, 2023 and 2022

	2023	2022
Reconciliation of income from operations to net cash provided by operating activities		
Operating income (loss)	\$ (223,272)	\$ 378,127
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	1,845,817	1,953,289
Changes in operating assets and liabilities		
Tenant receivables	(43,829)	58,483
Prepaid expenses	(55,738)	56,697
Accounts payable and accrued expenses	(57,295)	(239,562)
Security deposits held	-	1,950
Unearned rent	5,939	51,074
Grants payable	73,333	10,000
Net cash provided by operating activities	\$ 1,544,955	\$ 2,270,058

See accompanying notes to the financial statements

Eden Township Healthcare District dba Eden Health District

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

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 two medical office properties; DGMC located in Dublin, California, and the Eden Medical Building (EMB) located in Castro Valley, California. The two 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.

Eden Township Healthcare District dba Eden Health District

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

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.

In June 2022, Baywood Court (BWC) and Eden Health District's (EHD) board of directors reached an agreement to remove EHD as a general member and transfer the governance to Baywood Court's board of directors. Under the terms of the agreement, BWC's bylaws were also amended to remove EHD as a general member. As part of the agreement BWC agreed to an initial distribution of \$2,000,000, followed by nine to eleven subsequent annual participation distributions, depending upon certain performance conditions.

Distributions in years two to six are contingent on BWC maintaining a minimum debt service coverage ratio of 1.35 and a ratio of 1.50 for years seven to ten. Under the agreement, BWC remits to EHD participation distributions for performance in excess of the coverage ratio, subject to a \$1,500,000 and \$1,700,000 maximum in years two to six and years seven to ten, respectively. If distributions in years two to six fall below \$1,000,000 for any year, an additional participation year will be added to the agreement term. Similarly, if any distributions in years seven to ten fall below \$1,000,000, an additional participation year is added. Under the agreement BWC will cease to make distributions after the 12th anniversary of the effective date.

On September 16, 2015, the District received approval by its 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.

Eden Township Healthcare District
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Notes to Consolidated Financial Statements

June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

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 hierarchy 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.

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.

Eden Township Healthcare District
dba Eden Health District

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

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.

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.

Eden Township Healthcare District
dba Eden Health District

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

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.

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.

Eden Township Healthcare District
dba Eden Health District

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

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, 2023 and 2022 are \$61,129 and \$56,712, respectively.

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 are events or transactions that occur after the statement of net position date but before the financial statements are available to be issued. The District recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of net position, including the estimates inherent in the process of preparing the financial statements. The District's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of net position but arose after the statement of net position date and before the financial statements are available to be issued. There were no subsequent events to report.

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.

Eden Township Healthcare District
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Notes to Consolidated Financial Statements

June 30, 2023 and 2022

3. Cash and Investments and Custodial Credit Risk (continued)

At June 30, 2023 and 2022 the balances on deposit at financial institutions in excess of federal depository insurance limits of \$250,000 totaled \$2,123,840 and \$2,078,517, respectively and were held in uncollateralized accounts.

At June 30, 2022 and 2021 the balances on deposit at financial institutions in excess of federal depository insurance limits of \$250,000 totaled \$2,078,517 and \$2,632,959 respectively, and were held in uncollateralized accounts.

4. Investments

The District's investment balances and average maturities were as follows at June 30, 2023 and 2022:

		2023			
		Investment Maturities in Years			
	Fair Value	Less than 1	1 to 5	Over 5	
Corporate bonds	\$ 995,014	\$ 97,952	\$ 897,062	\$ -	
U.S. Treasury notes	2,532,306	193,884	2,338,422	-	
U. S. government obligations	1,032,899	-	976,559	56,340	
Total investments	<u>\$ 4,560,219</u>	<u>\$ 291,836</u>	<u>\$ 4,212,043</u>	<u>\$ 56,340</u>	

		2022			
		Investment Maturities in Years			
	Fair Value	Less than 1	1 to 5	Over 5	
Corporate bonds	\$ 1,301,071	\$ -	\$ 1,301,071	\$ -	
U.S. Treasury notes	2,175,055	-	2,175,055	-	
U. S. government obligations	744,113	199,460	469,431	75,222	
Total investments	<u>\$ 4,220,239</u>	<u>\$ 199,460</u>	<u>\$ 3,945,557</u>	<u>\$ 75,222</u>	

Interest income, dividends, and both realized and unrealized gains and losses on investments are recorded as investment income. These amounts were \$72,083 and (\$162,308) for the years ended June 30, 2023, and 2022, 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.

Eden Township Healthcare District
dba Eden Health District

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

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 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 6.40% of their investments have a maturity of less than one year, 92.36% have a maturity of one year to five years and 1.24% is over five 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.

Eden Township Healthcare District
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Notes to Consolidated Financial Statements

June 30, 2023 and 2022

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, 2023 and 2022 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 77% and banks 22%. As of June 30, 2023, none of the District's individual investments was greater than 5% of the District's investments as a whole.

Eden Township Healthcare District
dba Eden Health District

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

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, 2023 and 2022:

	2023			
	Level 1	Level 2	Level 3	Total
Corporate bonds	\$ 995,014	\$ -	\$ -	\$ 995,014
U.S. Treasury notes	2,532,306	-	-	2,532,306
U. S. government obligations	1,032,899	-	-	1,032,899
Total assets at fair value	<u>\$ 4,560,219</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,560,219</u>

	2022			
	Level 1	Level 2	Level 3	Total
Corporate bonds	\$ 1,301,071	\$ -	\$ -	\$ 1,301,071
U.S. Treasury notes	2,175,055	-	-	2,175,055
U. S. government obligations	744,113	-	-	744,113
Total assets at fair value	<u>\$ 4,220,239</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,220,239</u>

Eden Township Healthcare District
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Notes to Consolidated Financial Statements

June 30, 2023 and 2022

6. Capital Assets

Capital assets as of June 30, 2023 and 2022 were comprised of the following:

	<u>Balance at June 30, 2022</u>	<u>Transfers & Additions</u>	<u>Transfers & Retirements</u>	<u>Balance at June 30, 2023</u>
Land and land improvements	\$ 13,062,988	\$ -	\$ -	\$ 13,062,988
Buildings	32,109,434	-	-	32,109,434
Building improvements	3,356,125	-	(68,397)	3,287,728
Tenant improvements	4,451,145	-	(1,213,961)	3,237,186
Equipment	17,733	-	-	17,733
Totals at historical cost	<u>52,997,425</u>	<u>-</u>	<u>(1,282,358)</u>	51,715,070
Less accumulated depreciation	<u>(20,762,070)</u>	<u>\$ (1,704,577)</u>	<u>\$ 1,282,358</u>	<u>(21,184,289)</u>
Capital assets, net	<u>\$ 32,235,359</u>			<u>\$ 30,530,782</u>
	<u>Balance at June 30, 2021</u>	<u>Transfers & Additions</u>	<u>Transfers & Retirements</u>	<u>Balance at June 30, 2022</u>
Land and land improvements	\$ 13,078,989	\$ -	\$ (16,001)	\$ 13,062,988
Buildings	32,109,434	-	-	32,109,434
Building improvements	3,394,760	-	(38,635)	3,356,125
Tenant improvements	4,414,511	36,634	-	4,451,145
Equipment	17,733	-	-	17,733
Totals at historical cost	<u>53,015,427</u>	<u>36,634</u>	<u>(54,636)</u>	52,997,425
Less accumulated depreciation	<u>(19,008,857)</u>	<u>\$ (1,807,849)</u>	<u>\$ 54,636</u>	<u>(20,762,070)</u>
Capital assets, net	<u>\$ 34,006,573</u>			<u>\$ 32,235,359</u>

Eden Township Healthcare District
dba Eden Health District

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

7. 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.

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.

Eden Township Healthcare District
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Notes to Consolidated Financial Statements

June 30, 2023 and 2022

7. Long-term Liabilities (continued)

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.

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%.

Eden Township Healthcare District
dba Eden Health District

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

7. Long-term Liabilities (continued)

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, 2023 and 2022:

	Balance at <u>June 30, 2022</u>	<u>Additions</u>	<u>Paydowns</u>	Balance at <u>June 30, 2023</u>
Bank loan	\$ 10,550,971	\$ -	\$ (565,068)	\$ 9,985,903
Sutter settlement	4,342,439	-	(2,171,221)	2,171,218
	<u>\$ 14,893,410</u>	<u>\$ -</u>	<u>\$ (2,736,289)</u>	<u>\$ 12,157,121</u>
	Balance at <u>June 30, 2021</u>	<u>Additions</u>	<u>Paydowns</u>	Balance at <u>June 30, 2022</u>
Bank loan	\$ 11,097,756	\$ -	\$ (546,785)	\$ 10,550,971
Sutter settlement	6,513,660	-	(2,171,221)	4,342,439
	<u>\$ 17,611,416</u>	<u>\$ -</u>	<u>\$ (2,718,006)</u>	<u>\$ 14,893,410</u>

Eden Township Healthcare District
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Notes to Consolidated Financial Statements

June 30, 2023 and 2022

7. Long-term Liabilities (continued)

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 2,754,240	\$ 432,381	\$ 3,186,621
2025	603,510	300,826	904,336
2026	623,700	280,637	904,337
2027	8,175,408	197,009	8,372,417
	<u>\$ 12,156,858</u>	<u>\$ 1,210,853</u>	<u>\$ 13,367,711</u>

8. Medical Office Building Future Rental Income

The future minimum rental income from operating leases as of June 30, 2023 is as follows:

	<u>Eden Medical Building</u>	<u>Dublin Gateway</u>	<u>Total</u>
2024	\$ 766,386	\$ 2,901,417	\$ 3,667,803
2025	785,358	2,970,069	3,755,427
2026	668,469	2,828,195	3,496,664
2027	362,761	1,525,548	1,888,309
2028	225,918	673,155	899,073
Thereafter	588,603	213,488	802,091
	<u>\$ 3,397,495</u>	<u>\$ 11,111,872</u>	<u>\$ 14,509,367</u>

Eden Township Healthcare District
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Notes to Consolidated Financial Statements

June 30, 2023 and 2022

9. 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 expenses were \$23,281 and \$20,572 for the years ended June 30, 2023 and 2022, respectively.

10. 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 and Cross Compliant was 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.

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Notes to Consolidated Financial Statements

June 30, 2023 and 2022

10. 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, was \$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.

Eden Township Healthcare District
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Notes to Consolidated Financial Statements

June 30, 2023 and 2022

10. Commitments and Contingencies (continued)

AB2737 Non-provider 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.

11. 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, 2023 and 2022

	2023				2022
	District Office	Dublin Gateway LP	Eden Medical Building	Eden Health District Total	Eden Health District Total
Assets					
Current Assets					
Cash and cash equivalents	\$ 346,406	\$ 130,600	\$ 2,902	\$ 479,908	\$ 523,406
Tenant receivables		50,603	485	51,088	7,259
Interest receivable	25,526	-	-	25,526	14,416
Other receivables	1,500,000	-	-	1,500,000	2,000,000
Prepaid expenses and deposits	62,174	17,880	6,085	86,139	30,401
Total current assets	<u>1,934,106</u>	<u>199,083</u>	<u>9,472</u>	<u>2,142,661</u>	<u>2,575,482</u>
Investments	4,560,219	-	-	4,560,219	4,220,240
Capital assets, net of accumulated depreciation	6,207	24,680,088	5,844,486	30,530,782	32,235,359
Other assets	-	399,563	98,922	498,485	494,022
Total assets	<u>\$ 6,500,533</u>	<u>\$ 25,278,735</u>	<u>\$ 5,952,879</u>	<u>\$ 37,732,147</u>	<u>\$ 39,525,103</u>
Liabilities and Net Position					
Current liabilities					
Accounts payable and accrued expenses	\$ 125,939	\$ 123,759	\$ 21,963	\$ 271,661	\$ 328,955
Interest payable	-	27,176	-	27,176	28,702
Security deposits held	-	114,502	52,820	167,322	167,322
Unearned rent	-	53,858	4,202	58,060	52,121
Grants payable	150,000	-	-	150,000	76,667
Current portion of loan payable	-	583,122	-	583,122	565,098
Current portion of settlement payable	2,171,218	-	-	2,171,218	2,171,221
Total current liabilities	<u>2,447,157</u>	<u>902,417</u>	<u>78,986</u>	<u>3,428,560</u>	<u>3,390,086</u>
Loan payable, net of current portion	-	9,402,781	-	9,402,781	9,985,873
Settlement payable, net of current portion	-	-	-	-	2,171,218
Total liabilities	<u>2,447,157</u>	<u>10,305,198</u>	<u>78,986</u>	<u>12,831,341</u>	<u>15,547,177</u>
Net position					
Invested in capital assets, net of related debt	6,207	14,694,185	5,844,486	20,544,878	21,684,387
Unrestricted	4,047,169	279,353	29,407	4,355,929	2,293,539
Total net position	<u>4,053,376</u>	<u>14,973,538</u>	<u>5,873,893</u>	<u>24,900,808</u>	<u>23,977,926</u>
Total liabilities and net position	<u>\$ 6,500,533</u>	<u>\$ 25,278,735</u>	<u>\$ 5,952,879</u>	<u>\$ 37,732,147</u>	<u>\$ 39,525,103</u>

**Eden Township Healthcare District
dba Eden Health District**

Combining Statement of Revenues, Expenses and Changes in Net Assets

For the Year Ended June 30, 2023 and 2022

	2023				2022	
	District <u>Office</u>	Community <u>Services</u>	Dublin <u>Gateway LP</u>	Eden Medical <u>Building</u>	Eden Health District Total	Eden Health District Total
Operating revenues						
Rental income	\$ -	\$ -	\$ 2,804,956	\$ 751,915	\$ 3,556,871	\$ 3,371,090
Tenant Reimbursements	-	-	1,674,650	360,867	2,035,517	1,835,709
Total operating revenues	<u>-</u>	<u>-</u>	<u>4,479,606</u>	<u>1,112,782</u>	<u>5,592,387</u>	<u>5,206,799</u>
Operating expenses						
Salaries and benefits	599,065	-	-	-	599,065	572,787
Consulting/Community Education	24,534	57,375	-	-	81,909	142,867
Audit Fees	20,600	-	-	-	20,600	19,570
Public Relations	798	-	-	-	798	798
Legal Fees	1,077	-	-	-	1,077	16,915
Insurance	40,845	-	22,740	10,489	74,075	70,098
Other Purchased services	422,678	-	1,868	16	424,563	101,480
Rental property operating and maintenance	-	-	1,394,757	397,775	1,792,532	1,597,885
Taxes	-	-	233,725	-	233,725	225,316
Grants to service providers and community	-	741,498	-	-	741,498	127,667
Amortization	-	-	119,019	22,220	141,240	145,440
Depreciation	3,546	-	1,213,365	487,666	1,704,577	1,807,849
Total operating expenses	<u>1,113,143</u>	<u>798,874</u>	<u>2,985,476</u>	<u>918,167</u>	<u>5,815,659</u>	<u>4,828,672</u>
Operating gain/(loss)	<u>(1,113,143)</u>	<u>(798,874)</u>	<u>1,494,130</u>	<u>194,615</u>	<u>(223,272)</u>	<u>378,127</u>
Nonoperating revenues (expenses):						
Interest income	142,755	-	-	10	142,765	70,600
Interest expense	(111,166)	-	(339,269)	-	(450,435)	(373,836)
Change in fair value of investments	(70,682)	-	-	-	(70,682)	(232,908)
Other gain/(loss)	1,524,500	-	-	-	1,524,500	3,257,469
Total nonoperating revenues (expenses)	<u>1,485,407</u>	<u>-</u>	<u>(339,269)</u>	<u>10</u>	<u>1,146,148</u>	<u>2,721,326</u>
Change in net position	<u>\$ 372,264</u>	<u>\$ (798,874)</u>	<u>\$ 1,154,861</u>	<u>\$ 194,625</u>	<u>\$ 922,877</u>	<u>\$ 3,099,453</u>

JWT & Associates, LLP

Advisory Assurance Tax

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the comptroller General of the United States, the financial statements of Eden Township Healthcare District dba Eden Health District (the District), which comprise the statement of net position as of June 30, 2023, 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 and have issued our report thereon dated October 18, 2023.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

JWT & Associates, LLP

October 18, 2023
Fresno, California

Eden Township Healthcare District
dba Eden Health District

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2022

I. Summary of Auditor's Results

Type of auditor's report issued:	Unmodified	
Internal Control over financial reporting:		
Material weakness identified?	____yes	<u> X </u> no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	____yes	<u> X </u> no
Noncompliance material to financial statements noted?	____yes	<u> X </u> no

II. Current Year Audit Findings and Questioned Costs

Financial Statement Findings

None reported

III. Prior Year Audit Findings and Questioned Costs

None reported