



AGENDA

REGULAR MEETING OF THE FINANCE COMMITTEE A COMMITTEE OF THE BOARD OF DIRECTORS

Tuesday, November 29, 2022 – 9:00 AM

Classroom B

600 N. Highland Springs Avenue, Banning, CA 92220

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Administration Office at (951) 769-2101. **Notification 48 hours prior to the meeting** will enable the Hospital to make reasonable arrangement to ensure accessibility to this meeting. [28 CFR 35.02-35.104 ADA Title II].

TAB

I. Call to Order

E. Ngo

II. Public Comment

A five-minute limitation shall apply to each member of the public who wishes to address the Finance Committee of the Hospital Board of Directors on any matter under the subject jurisdiction of the Committee. A thirty-minute time limit is placed on this section. No member of the public shall be permitted to “share” his/her five minutes with any other member of the public. (Usually, any items received under this heading are referred to staff for future study, research, completion and/or future Committee Action.) (PLEASE STATE YOUR NAME AND ADDRESS FOR THE RECORD.)

On behalf of the San Gorgonio Memorial Hospital Board of Directors, we want you to know that the Board/Committee acknowledges the comments or concerns that you direct to this Committee. While the Board/Committee may wish to occasionally respond immediately to questions or comments if appropriate, they often will instruct the CEO, or other Administrative Executive personnel, to do further research and report back to the Board/Committee prior to responding to any issues raised. If you have specific questions, you will receive a response either at the meeting or shortly thereafter. The Board/Committee wants to ensure that it is fully informed before responding, and so if your questions are not addressed during the meeting, this does not indicate a lack of interest on the Board/Committee’s part; a response will be forthcoming.

OLD BUSINESS

III. * Proposed Action – Approval of Minutes

E. Ngo

- October 25, 2022, regular meeting

A

NEW BUSINESS

- IV. * **Proposed Action – Recommend approval to Hospital Board** D. Heckathorne B
• **October 2022 Financial Report (Unaudited)**
▪ **ROLL CALL**
- V. * **Proposed Action – Recommend approval to Hospital Board** D. Heckathorne C
and Healthcare District Board
• **District Hospital Leadership Forum (DHLF)**
Annual Dues Renewal
▪ **ROLL CALL**
- VI. * **Proposed Action – Recommend approval to Hospital Board** D. Heckathorne/ D
and Healthcare District Board Wipfli, LLP
• **FYE 22 Financial Audit**
▪ **ROLL CALL**
- VII. Future Agenda Items
- VIII. Next Meeting – December 27, 2022
- IX. Adjournment E. Ngo

*** Requires Action**

In accordance with The Brown Act, Section 54957.5, all public records relating to an agenda item on this agenda are available for public inspection at the time the document is distributed to all, or a majority of all, members of the Committee. Such records shall be available at the Hospital office located at 600 N. Highland Springs Avenue, Banning, CA 92220 during regular business hours, Monday through Friday, 8:00 am - 4:30 pm.

Certification of Posting

I certify that on November 23, 2022, I posted a copy of the foregoing agenda near the regular meeting place of the Board of Directors of San Gorgonio Memorial Hospital - Finance Committee, and on the San Gorgonio Memorial Hospital website said time being at least 72 hours in advance of the regular meeting of the Finance Committee
(Government Code Section 54954.2).

Executed at Banning, California, on November 23, 2022



Ariel Whitley, Executive Assistant

TAB A

REGULAR MEETING OF THE
SAN GORGONIO MEMORIAL HOSPITAL
BOARD OF DIRECTORS

FINANCE COMMITTEE
Tuesday, October 25, 2022

The regular meeting of the San Gorgonio Memorial Hospital Board of Directors Finance Committee was held on Tuesday, October 25, 2022, in Classroom B, 600 N. Highland Springs Avenue, Banning, California.

Members Present: Susan DiBiasi, Ron Rader, Steve Rutledge

Members Absent: Ehren Ngo (Chair), Siri Welch

Required Staff: Steve Barron (CEO), Pat Brown (CNO/COO), Daniel Heckathorne (CFO), Ariel Whitley (Executive Assistant), Angela Brady (ED Director), Karan P. Singh, MD (CMO)

AGENDA ITEM	DISCUSSION	ACTION / FOLLOW-UP
Call To Order	Susan DiBiasi called the meeting to order at 9:08 am.	
Public Comment	No public present.	
OLD BUSINESS		
Proposed Action - Approve Minutes September 27, 2022, regular meeting	Susan DiBiasi asked for any changes or corrections to the minutes of the September 27, 2022, regular meeting. There were none.	The minutes of the September 27, 2022, regular meeting will stand correct as presented.
NEW BUSINESS		

AGENDA ITEM	DISCUSSION	ACTION / FOLLOW-UP												
<p>Proposed Action – Recommend Approval to Hospital Board of Directors - Monthly Financial Report (Unaudited) – September 2022</p>	<p>Daniel Heckathorne, CFO, reviewed the Unaudited September 2022 finance report as included in the committee packets.</p> <p>Surgery was lower than the previous two months.</p> <p>The month of September resulted in negative \$1.24M EBIDA compared to budgeted EBIDA loss of \$1.49M. Adjustments and items of note include:</p> <ul style="list-style-type: none"> • Intensities of services were lower than the previous 2 months (Gross Revenues down \$3.9M) • September Surgery visits remained high at 156 plus 23 G.I. procedures. • Emergency visits were high at 3,599. • Deductions from Revenues were favorably impacted by \$153K to reflect YTD recovery for the Residency Program. <p>It was noted that approval is recommended to the Hospital Board.</p> <p>ROLL CALL:</p> <table border="1" data-bbox="394 1014 1219 1129"> <tr> <td>DiBiasi</td> <td>Yes</td> <td>Ngo</td> <td>Absent</td> </tr> <tr> <td>Rader</td> <td>Yes</td> <td>Rutledge</td> <td>Yes</td> </tr> <tr> <td>Welch</td> <td>Absent</td> <td colspan="2">Motion carried.</td> </tr> </table>	DiBiasi	Yes	Ngo	Absent	Rader	Yes	Rutledge	Yes	Welch	Absent	Motion carried.		<p>M.S.C. (Rutledge/Rader), the SGMH Finance Committee voted to recommend approval of the Unaudited September 2022 Financial report to the Hospital Board of Directors.</p>
DiBiasi	Yes	Ngo	Absent											
Rader	Yes	Rutledge	Yes											
Welch	Absent	Motion carried.												
<p>Future Agenda Items</p>	<ul style="list-style-type: none"> • Audit Report 													
<p>Next Meeting</p>	<p>The next regular Finance Committee meeting will be held on November 29, 2022.</p>													
<p>Adjournment</p>	<p>The meeting was adjourned 10:16 am.</p>													

In accordance with The Brown Act, *Section 54957.5*, all reports, and handouts discussed during this Open Session meeting are public records and are available for public inspection. These reports and/or handouts are available for review at the Hospital Administration office located at 600 N. Highland Springs Avenue, Banning, CA 92220 during regular business hours, Monday through Friday, 8:00 am - 4:30 pm.

Minutes respectfully submitted by Ariel Whitley, Executive Assistant

TAB B



SAN GORGONIO MEMORIAL HOSPITAL
BANNING, CALIFORNIA

Unaudited Financial Statements

for

FOUR MONTHS ENDING OCTOBER 31, 2022

FY 2023

Certification Statement:

To the best of my knowledge, I certify for the hospital that the attached financial statements, except for the uncertainty of IGT revenue accruals, do not contain any untrue statement of a material fact or omit to state a material fact that would make the financial statements misleading. I further certify that the financial statements present in all material respects the financial condition and results of operation of the hospital and all related organizations reported herein. Note: Certain Balance Sheet items, including "Total Net Assets" do not include or reflect all of the final audit entries from the FYE June 30, 2022. Because these reports are prepared for internal users only, they do not purport to conform to the principles contained in U.S. GAAP.

Certified by:

Daniel R. Heckathorne

Daniel R. Heckathorne

CFO

San Geronio Memorial Hospital

Financial Report - Executive Summary

For the Month of October, 2022 and Four Months Ended October 31, 2022 (Unaudited)

Profit/Loss (EBIDA) Summary (MTD) Negative and (YTD) Negative

The month of October resulted in negative \$1.25M Earnings before Interest, Depreciation and Amortization (EBIDA) compared to budgeted EBIDA loss of \$1.55M.

YTD – The YTD October results were a negative \$4.43M Earnings before Interest, Depreciation and Amortization (EBIDA) compared to budgeted EBIDA loss of \$5.57M.

Month – Adjustments and Items of note:

- The October Surgery visits remained high again at 157 plus 13 G.I. procedures.
- The Emergency visits were also high at 3,619.
- Deductions from Revenues were favorably impacted by \$41K for the Residency Program.
- Total Operating Expenses were \$812K below budget (see comments below)
- A revised September and YTD September Statement of Revenues and Expenses are included with this packet to update the Medicare Contractuals consistent with the FYE 2022 cost report. (see Pages 12 and 13 of the October Financial Report).

October's inpatient average daily census was 18.8. Adjusted Patient Days were 7.3% under budget (1,772 vs. 1,911) which includes the Patient Days which were 39% below budget (582 vs. 960). Emergency Visits were 11.8% over budget (3,619 vs. 3,237), and overall Surgeries were over budget by 30% (157 vs. 121).

YTD - Inpatient average daily census was 20.9. Adjusted Patient Days were 8.9% under budget (7,051 vs. 7,708) and Patient Days were 34% below budget (2,567 vs. 3,872). Emergency Visits were 9.3% over budget (14,359 vs. 13,136), and overall Surgeries were over budget by 26% (621 vs. 492).

Patient Revenues (MTD) Negative (YTD) Negative

Month - The Net Patient Revenue in October was \$491K (9.6%) below budget. This is impacted by the low volume of Inpatient Days, again being somewhat offset by the high Outpatient revenues. The Residency Program recovery was \$41K and is included in the Deductions from Revenues. Managed care rate increases negotiated a year ago were estimated at \$159K for the month.

YTD – Net Patient Revenues were \$1.82M (8.7%) below budget. Again, this is impacted by the low count of Inpatient Days, and is somewhat offset by the high Outpatient revenues and the \$194K Residency Program recovery. Managed care rate increases negotiated a year ago are estimated at \$725K combined for the four months.

Total Operating Revenues (MTD) Negative & (YTD) Negative

Month – Operating Revenue in October was \$508K below budget. This was impacted by the negative variances in Net Patient Revenues and \$17K negative variance in Other Income.

YTD - Operating Revenue was \$1.94M below budget. This was impacted by the \$1.8M negative variance in Net Patient Revenues for the four months and the \$121K negative variance in Other Income.

Operating Expenses (MTD) Positive & (YTD) Positive

Month - Operating Expenses in October were \$6.92M and were under budget by \$812K. Key items that impacted overall Expenses were as follows: 1) Salaries and Wages, Benefits, and Contract Labor were collectively \$289K below budget, primarily impacted by the lower inpatient workloads. 2) Physician fees were under budget by \$56K partially due to the Residency costs being lower than expected at this point; 3) Purchased Services were \$ 240K below budget due to legal fees and various other services coming in under budget; 4) Supplies were under budget by \$213K, which can be attributed to a) much lower than expected Inpatient Admissions, b) no covid surges thus far, and c) not

experiencing the full impact of inflation which is expected to accelerate over the remainder of the year; 5) Repairs and Maintenance costs were \$36K over budget due mainly to routine repairs not incurred in the previous month. 6) Leases and Rentals were \$50K under budget primarily due to the new reclassification methodology adopted in the FY 2022 audit for lease accounting, with a corresponding impact mostly to Depreciation and Amortization expense.

YTD – Operating Expenses were \$27.7M and were under budget by \$3.1M. Key items that impacted overall Expenses were as follows: 1) Salaries, Benefits, and Contract Labor were a combined \$779K under budget which was impacted by the PTO Flex-Down variance during the summer months along with the much lower than expected Patient Days workloads; 2) Physician fees were \$250K under budget and some of the major variances are related to the Residency Program and the Physician On-Call costs being lower than expected ; 3) Purchased Services showed a favorable variance of \$746K due to legal fees variance, various Service Agreements, and Allscripts/Navigant being slightly lower than expected; 4) Supplies were under budget by \$1.1M, and large favorable variances, as in the current month, can be attributable to a) much lower than expected Inpatient Admissions, b) no covid surges thus far, and c) not experiencing the full impact of inflation which is expected to accelerate over the remainder of the year; 5) Utilities were under budget by \$82K which is due to “monthly historical allocation methodology” and some avoidance to date of inflationary costs to these areas (which we don’t think have fully materialized); 6) Other Operating Expenses were \$115K below budget due to numerous matters – some of the larger variances relate to “timing” of various events, fees, and licenses which will occur later in the year. This, coupled with our efforts to minimize expenditures have led to this favorable variance; 7) Leases and Rentals are \$71K under budget primarily due to the change in Lease accounting mentioned above.

Balance Sheet/Cash Flow

Note: Certain Balance Sheet items, including "Total Net Assets" include the impact of the final audit entries from the FYE June 30, 2022. Because these reports are prepared for internal users only, they do not purport to conform to the principles contained in U.S. GAAP.

Patient cash collections in October were \$5.89M compared to September (\$5.12M). The Gross A/R Days increased just slightly from 63.6 in September to 64.1 in October. Cash balances were \$3.3M compared to \$2.93M in September. Again, the major factor causing the low Cash balance was that the Line of Credit was still paid down to -0- starting on September 16, and the Line of Credit was not accessed until early November. Even with this, the Accounts Payable increased slightly to \$10.17M compared to \$10.14M in September. Other notable activity on the Balance Sheet: Prepaid Expenses due to audit reclassifications of leases for \$2.0M and booking a legal settlement estimated at \$3.4M,

Concluding Summary

Positive takeaways:

- 1) Total Surgeries were 30% over budget.
- 2) Emergency Visits were 12% over budget
- 3) Operating Expenses were \$812K under budget.
- 4) EBIDA performance was \$304K better than expected and \$1.1M on a YTD basis

Negative takeaways:

- 1) Inpatient Days are less than expected.

STATISTICS

Inpatient Admissions/Discharges (Monthly Average)	Represents number of patients admitted/discharged into and out of the hospital.
Patient Days (Monthly Average)	Each day a patient stays in the hospital is counted as a patient day. This count is normally done at midnight.
Average Daily Census (Inpatient)	Equals the average number of inpatients in the hospital on any given day or month.
Average Length of Stay (Inpatient)	Represents that average number of days that inpatients stay in the hospital.
Emergency Visits (Monthly Average)	Represents the number of patients who sought services at the emergency room.
Surgery Cases - Excluding G.I. (Monthly Average)	Equals the number of patients who had a surgical procedure(s) performed.
G.I. Cases (Monthly)	Number of patients who had a gastrointestinal exam performed.
Newborn Deliveries (Monthly)	Number of babies delivered.

PRODUCTIVITY

Worked FTEs (includes Registry FTEs)	Represents an equivalency of full-time staff worked. One FTE is equivalent of working 40 hours per week, 80 hours per pay period, 173.3 hours per 30 day month, or 2,080 hours in a 52 week year. This calculation divides the number of hours worked by the number of hours in the respective work period (40, 80, etc.) Example: 340 hours worked in an 80 hour pay period = 4.25 FTE's
Worked FTES per APD	Divides the Total Worked FTE's by the daily average of the Adjusted Patient Days.
Paid FTEs (includes Registry FTEs)	Represents an equivalency of full-time staff paid. One FTE is equivalent of working 40 hours per week, 80 hours per pay period, 173.3 hours per 30 day month, or 2,080 hours in a 52 week year. This calculation divides the number of hours paid (includes all hours paid consisting of worked hours, PTO hours, sick pay, etc.) by the number of hours in the respective work period (40, 80, etc.) Example: 500 hours paid in an 80 hour pay period = 6.25 FTE's.
Paid FTES per APD	Divides the Total Paid FTE's by the daily average of the Adjusted Patient Days.
ADJUSTED PATIENT DAYS	This is a blend of total patient days stayed in the hospital for a month, plus an equivalency factor (based on average inpatient revenue per patient day) applied to the outpatient revenues in order to account for outpatient workloads.

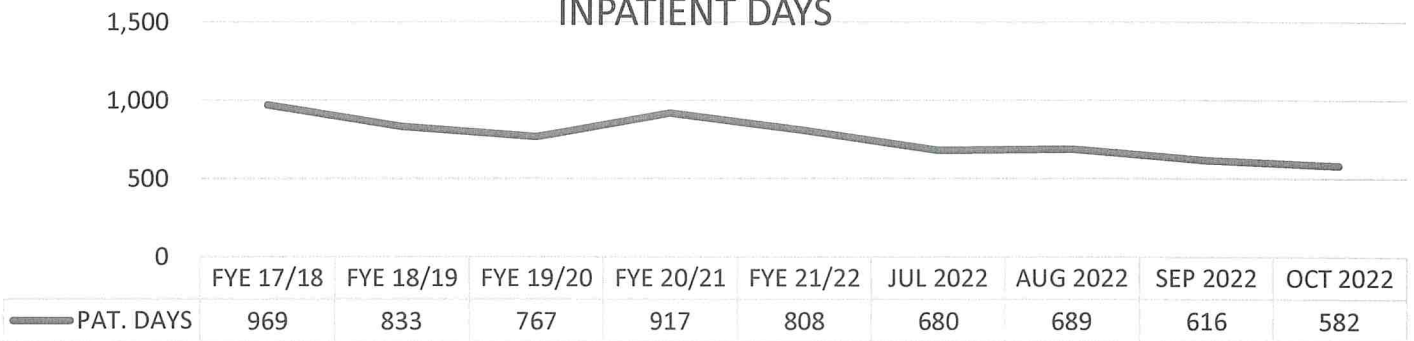
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SAN GORGONIO MEMORIAL HOSPITAL

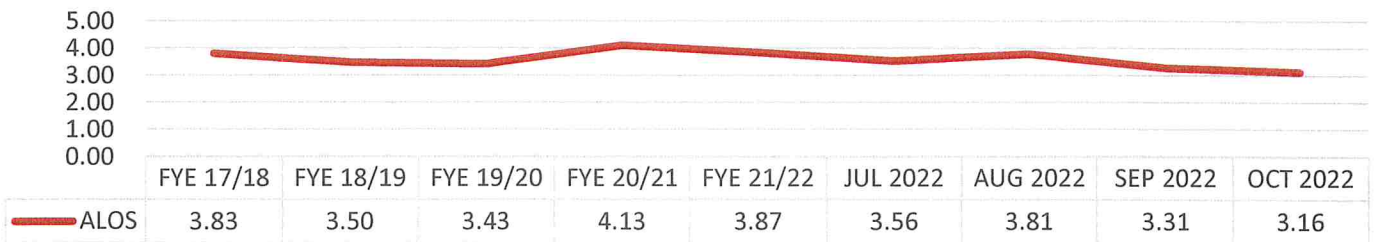
INPATIENT DISCHARGES



INPATIENT DAYS



AVERAGE LENGTH OF STAY

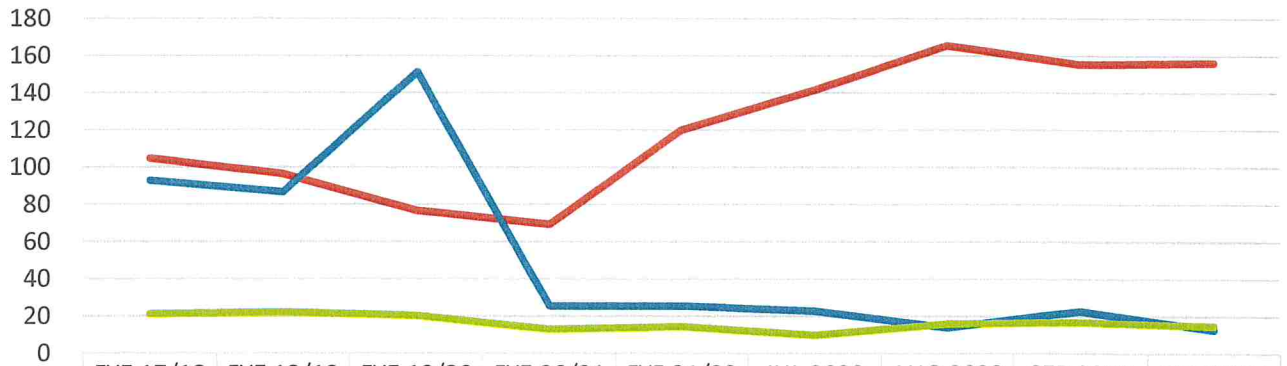


EMERGENCY VISITS



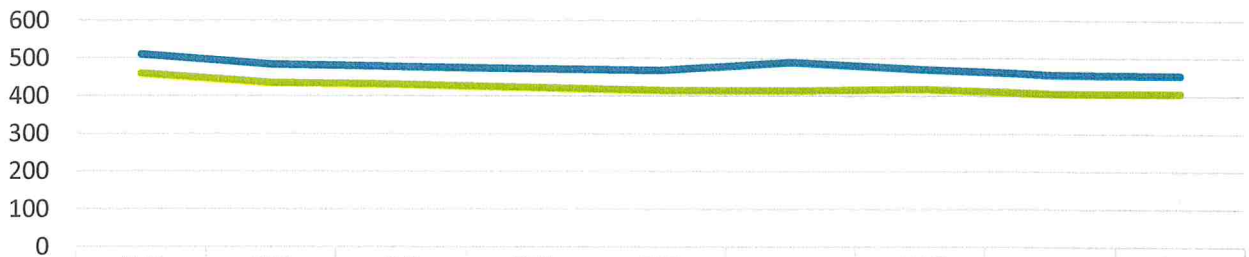
SAN GORGONIO MEMORIAL HOSPITAL

SURGERY CASES, G.I. CASES, N/B DELIVERIES



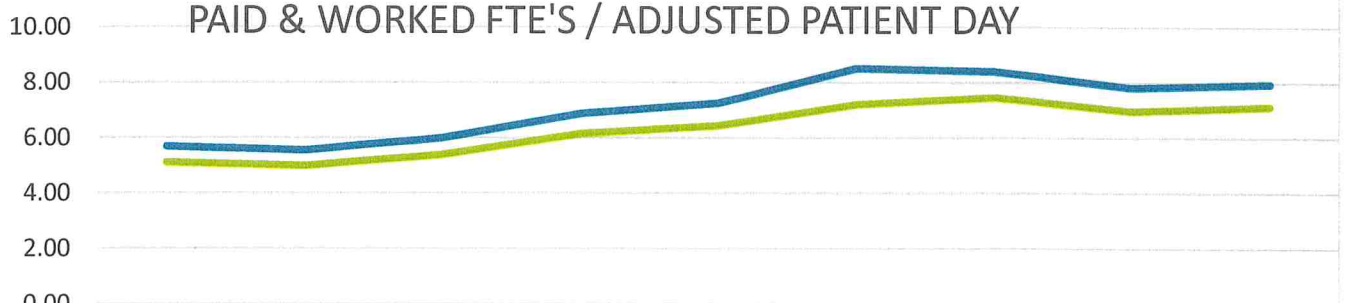
	FYE 17/18	FYE 18/19	FYE 19/20	FYE 20/21	FYE 21/22	JUL 2022	AUG 2022	SEP 2022	OCT 2022
— SURG.	105	97	77	70	121	142	166	156	157
— G.I. CASES	93	87	152	26	26	23	14	23	13
— BIRTHS	21	22	21	13	15	10	16	17	15

PAID & WORKED FTE'S



	FYE 17/18	FYE 18/19	FYE 19/20	FYE 20/21	FYE 21/22	JUL 2022	AUG 2022	SEP 2022	OCT 2022
— P FTE's	511	484	479	474	470	491	473	459	457
— W FTE's	461	436	431	425	417	416	419	409	409


PAID & WORKED FTE'S / ADJUSTED PATIENT DAY



	FYE 17/18	FYE 18/19	FYE 19/20	FYE 20/21	FYE 21/22	JUL 2022	AUG 2022	SEP 2022	OCT 2022
— PFTES/APD	5.69	5.55	6.01	6.89	7.27	8.54	8.43	7.85	7.99
— WFTES/APD	5.13	5.00	5.41	6.18	6.45	7.22	7.48	6.99	7.15

3-C

INCOME STATEMENT

Gross Patient Revenue (000's) (Monthly Ave.)	Represents total charges (before discounts and allowances) made for all patient services provided.
Net Patient Revenue (NPR) (000's) (Monthly Ave.)	Equals the sum of all (patient) charges for services provided that are due to the hospital, less estimated adjustments for discounts and other contractual disallowances for which the patients may be entitled.
NPR as % of Gross	Reflects the percentage of Gross Patient Revenues (charges) that are expected to be collected. Calculated by dividing Net Patient Revenue by the Gross Patient Revenue.
Total Operating Revenue (000's) (Monthly Ave.)	This reflects all Revenues available for payment of Operating Expenses. This includes Net Patient Revenue plus all other forms of miscellaneous Revenues.
Salaries, Wages, Benefits & Contract Labor (000's) (Monthly Ave.)	Represents the total staffing expenses of the Hospital
SWB + Contract Labor as % of Total Operating Revenue	Identifies what portion the Operating Revenues are spent on staffing costs.
 Total Operating Expense (TOE) (000's)(Monthly Ave.)	Operating Expense reflects all costs needed to fund the Hospital's business operations.
TOE as % of Total Operating Revenue	Identifies the relationship that Operating Expenses have to the Total Operating Revenues.
EBIDA (000's)(Monthly Average)	Earnings Before Interest, Depreciation, and Amortization. This reflects the difference between Net Operating Revenues and Total Operating Expense. This is a quick measurement of the Hospital's ability to meet its financial obligations and have additional funds for equipment replacement and future growth of the organization.
EBIDA as % of NPR	This measurement is a gauge of the surplus (or deficit) of funds available for operations and future growth.
Net Patient Revenue vs. Total Labor Expense	This measurement illustrates that Net Patient Revenues basically only cover Total Labor Expense, and that all of the Other Revenues and Supplemental Incomes are necessary to cover the remaining operational Expenses and EBIDA required to operate the Hospital.
Operating Revenues (Normalized), Expenses, Staffing Expenses, and EBIDA (Normalized)	This graph illustrates the "normalization" of Operating Revenues and EBIDA, by reallocating proportionate Supplemental Revenues and related Expenses into the current month and YTD results.

SAN GORGONIO MEMORIAL HOSPITAL

GROSS PATIENT REVENUE

50,000
40,000
30,000
20,000
10,000
0

	FYE 17/18	FYE 18/19	FYE 19/20	FYE 20/21	FYE 21/22	JUL 2022	AUG 2022	SEP 2022	OCT 2022
— GPR	24,382	24,433	22,416	21,265	37,535	41,471	40,945	37,279	40,582

NET PATIENT REVENUE AS % OF GROSS

20.00%
18.00%
16.00%
14.00%
12.00%
10.00%
8.00%
6.00%
4.00%
2.00%
0.00%

	FYE 17/18	FYE 18/19	FYE 19/20	FYE 20/21	FYE 21/22	JUL 2022	AUG 2022	SEP 2022	OCT 2022
— NPR%GROSS	16.08%	16.38%	16.93%	17.61%	14.05%	13.49%	12.86%	12.74%	12.65%

OPERATING EXPENSE AS % OF OPERATING REVENUE and LABOR COST AS % OF OPERATING REVENUE

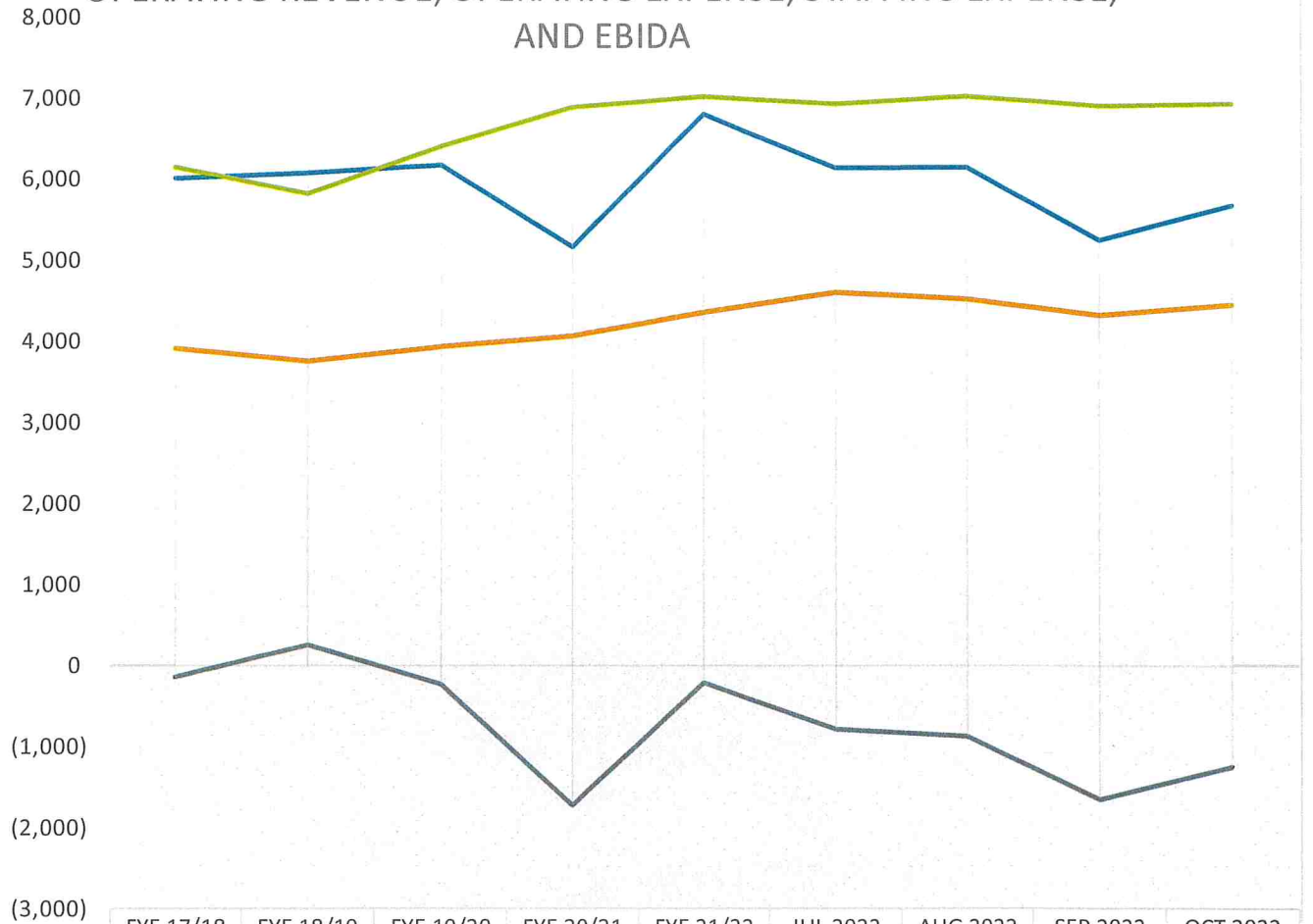
140.0%
120.0%
100.0%
80.0%
60.0%
40.0%
20.0%
0.0%

	FYE 17/18	FYE 18/19	FYE 19/20	FYE 20/21	FYE 21/22	JUL 2022	AUG 2022	SEP 2022	OCT 2022
— OP EXP%OP REV	102.3%	95.8%	103.8%	133.3%	103.2%	112.8%	114.2%	131.4%	122.0%
— LABOR%OP REV	65.2%	61.9%	63.8%	78.8%	64.1%	75.1%	73.6%	82.4%	78.5%

3-E

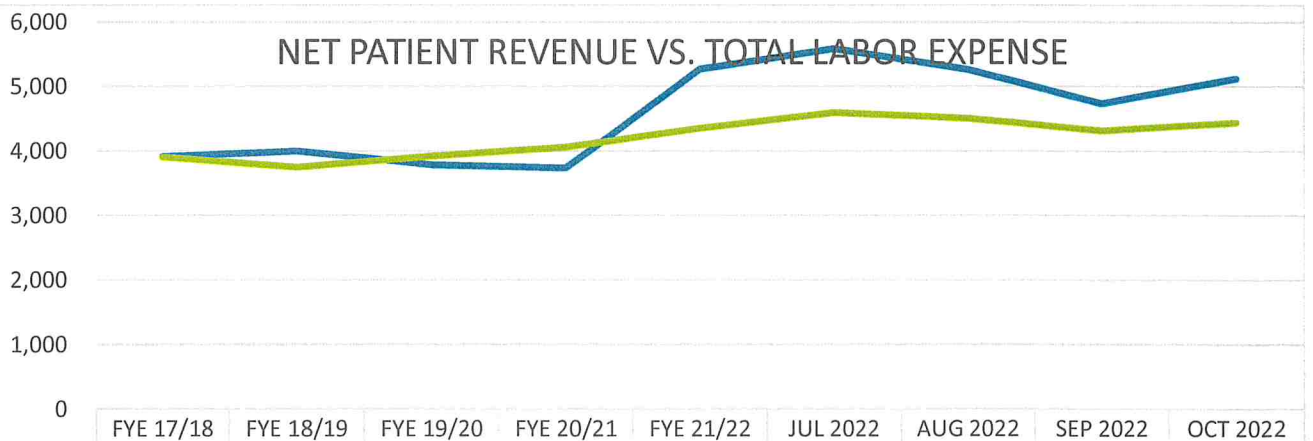
SAN GORGONIO MEMORIAL HOSPITAL

OPERATING REVENUE, OPERATING EXPENSE, STAFFING EXPENSE, AND EBIDA



	FYE 17/18	FYE 18/19	FYE 19/20	FYE 20/21	FYE 21/22	JUL 2022	AUG 2022	SEP 2022	OCT 2022
OP REV	6,006	6,069	6,165	5,160	6,791	6,132	6,137	5,246	5,674
OP EXP	6,147	5,817	6,398	6,878	7,007	6,920	7,010	6,893	6,923
STAFF EXP	3,915	3,755	3,932	4,065	4,354	4,604	4,515	4,322	4,452
EBIDA	(141)	252	(233)	(1,719)	(216)	(788)	(873)	(1,648)	(1,249)

NET PATIENT REVENUE VS. TOTAL LABOR EXPENSE

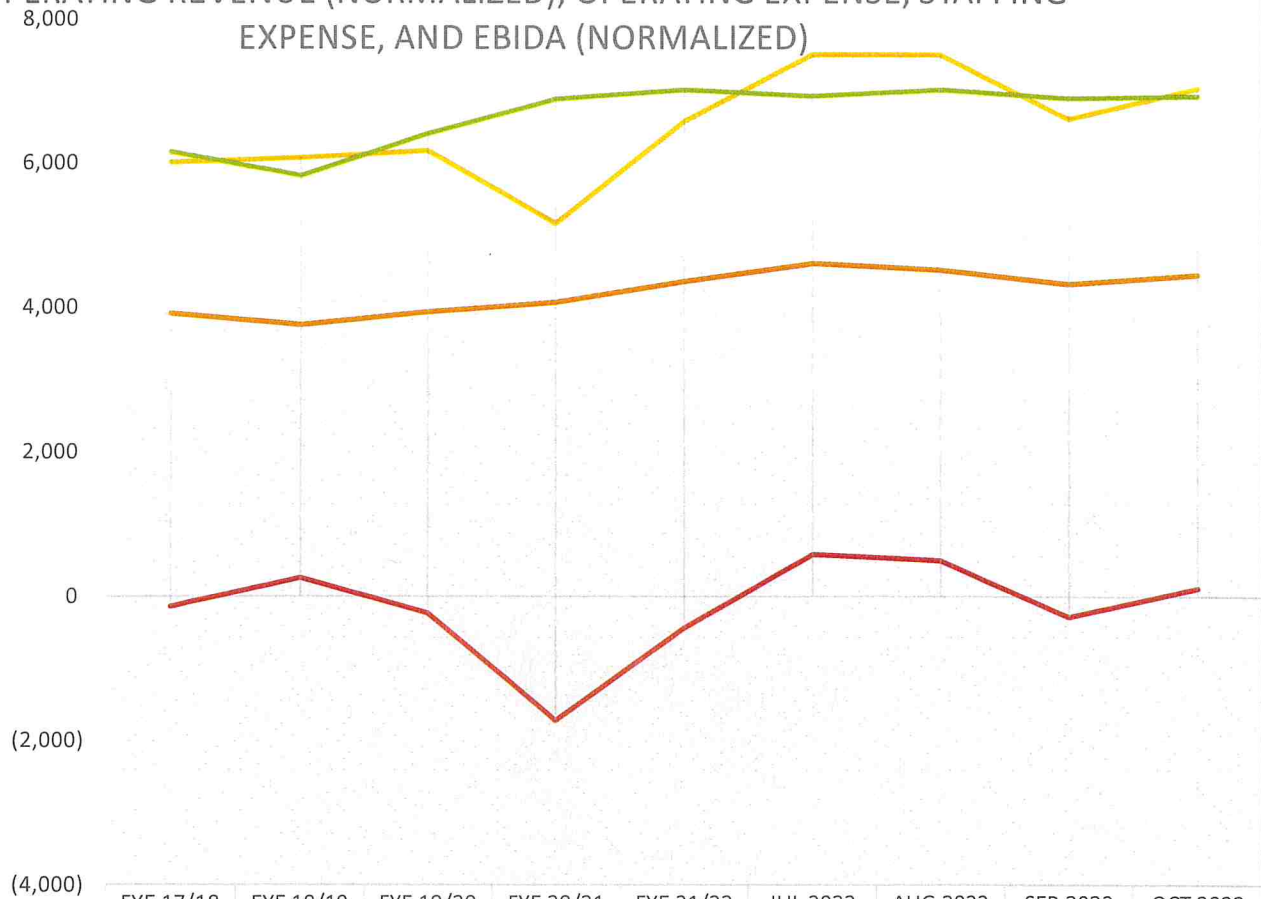


	FYE 17/18	FYE 18/19	FYE 19/20	FYE 20/21	FYE 21/22	JUL 2022	AUG 2022	SEP 2022	OCT 2022
NET PAT REV	3,921	4,003	3,795	3,744	5,275	5,594	5,267	4,751	5,134
LABOR EXP	3,915	3,755	3,932	4,065	4,354	4,604	4,515	4,322	4,452

B-F

SAN GORGONIO MEMORIAL HOSPITAL

OPERATING REVENUE (NORMALIZED), OPERATING EXPENSE, STAFFING EXPENSE, AND EBIDA (NORMALIZED)



	FYE 17/18	FYE 18/19	FYE 19/20	FYE 20/21	FYE 21/22	JUL 2022	AUG 2022	SEP 2022	OCT 2022
REV NORMAL	6,006	6,069	6,165	5,160	6,569	7,494	7,499	6,608	7,037
OP EXP	6,147	5,817	6,398	6,878	7,007	6,920	7,010	6,893	6,923
LABOR EXP	3,915	3,755	3,932	4,065	4,354	4,604	4,515	4,322	4,452
EBIDA NORMAL	(141)	252	(233)	(1,719)	(438)	574	489	(285)	113

BALANCE SHEET (Period End)

Cash (000's)	Represents all unrestricted cash in the bank at each month-end.
Days Cash on Hand	Calculated by dividing amount of Cash on Hand by the historical average daily amount of cash requirements to cover operating expenses.
Accounts Receivable - Net (000's)	Equals the sum of all (patient) accounts that are due to the hospital, less estimated adjustments for discounts and other contractual disallowances for which the patients may be entitled.
A/R Days - Net	This measures the average number of days it takes to collect payment of the Net Accounts Receivable. Lower values are desired.
Current Ratio (Current Assets/Current Liabilities)	A measure that illustrates the ability for the hospital to pay its obligations that come due over the course of the next year. The greater the Current Assets as compared to the Current Liabilities, the stronger position the organization is in to pay its upcoming obligations. Desired position is greater than 1:00 to 1:00, preferably at least 1:25 to 1:00 or greater.
Quick Ratio	This measures the Cash + Net Accounts Receivable compared to the Current Liabilities. Desired ratio is greater than 1.00 : 1.00.
Accounts Payable (000's)	Reflects payment obligations of the Hospital as of a point in time. Excludes Loans, Payroll and other Debt obligations. Lower values are desired.
Accounts Payable Days	Reflects the average number of days that it takes to pay routine bills. Lower numbers are desired. Calculated by dividing the Accounts Payable amount by the historical average daily cost of routine expenses.
Line of Credit Balance (000's)	The amount that is currently borrowed from a lending institution as of a given point in time.

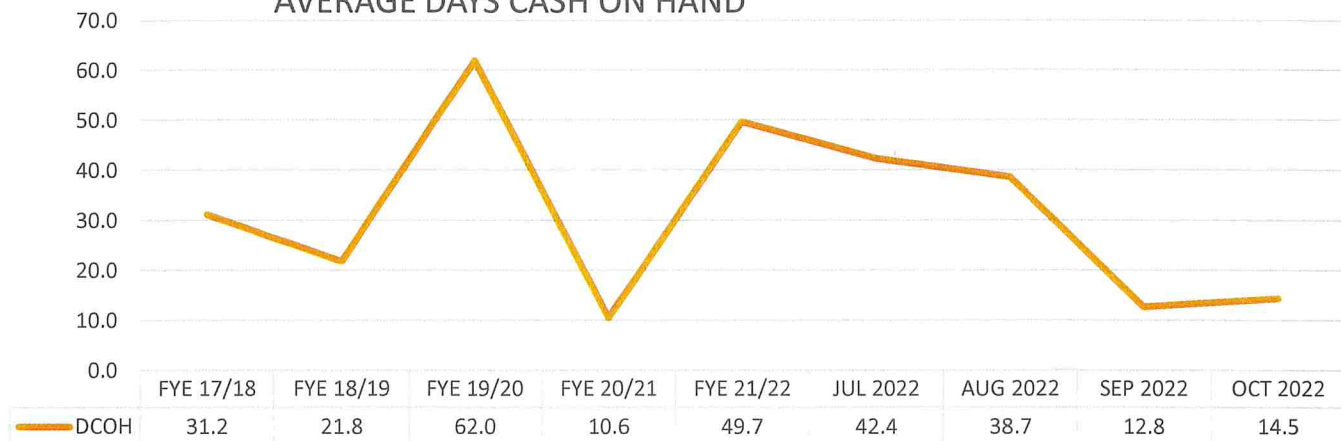
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SAN GORGONIO MEMORIAL HOSPITAL

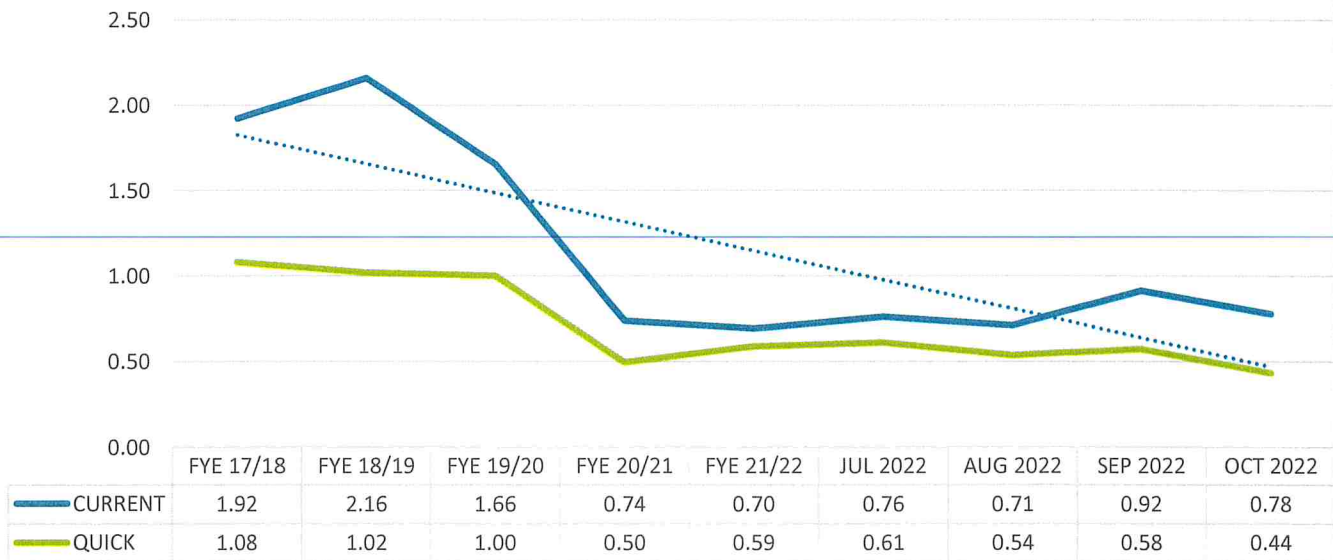
CASH & LINE OF CREDIT (000'S)



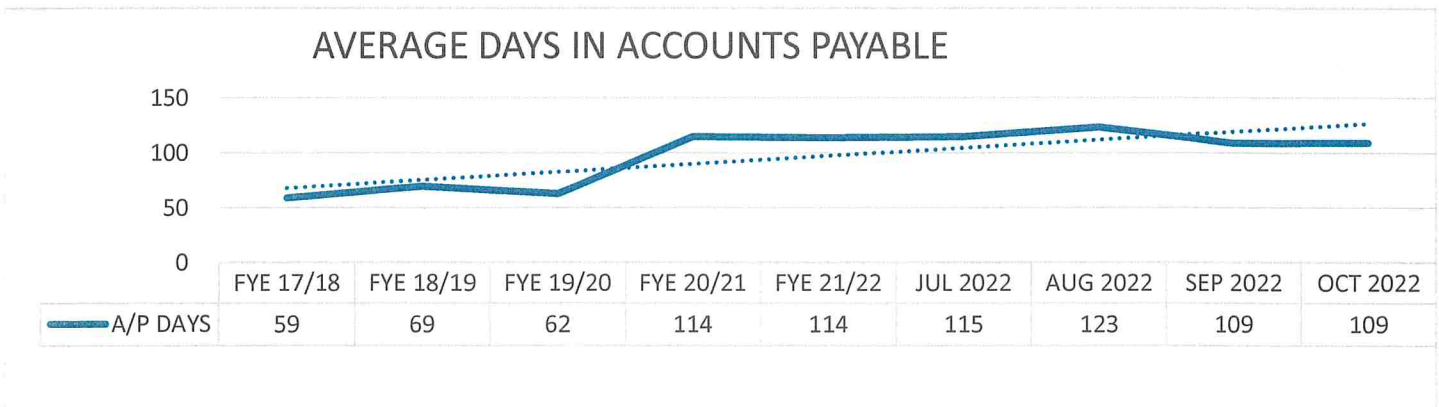
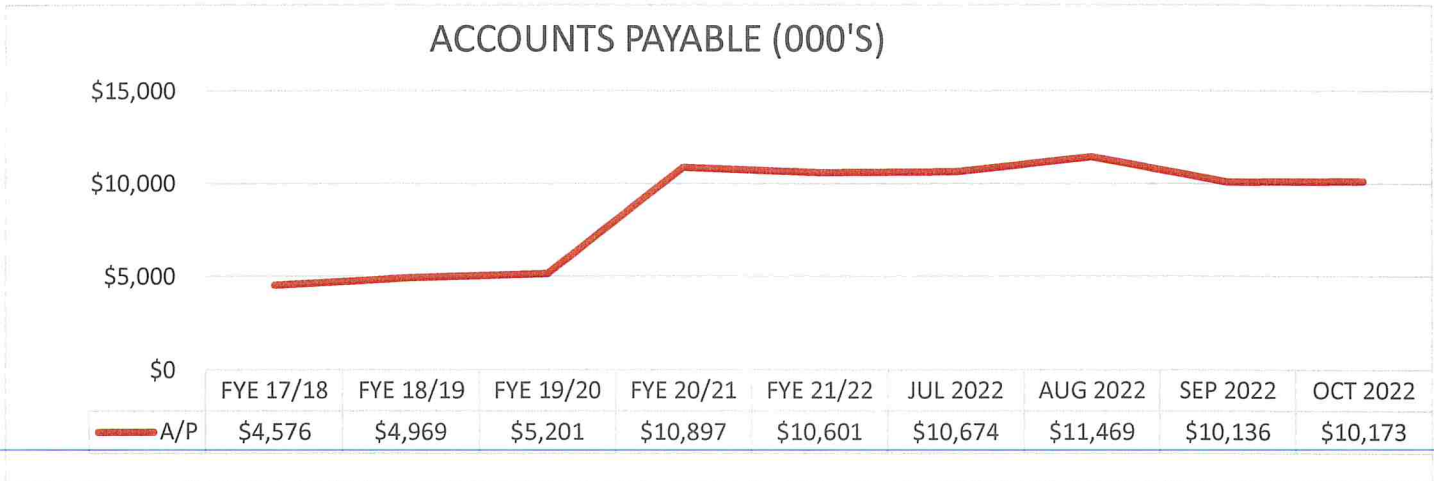
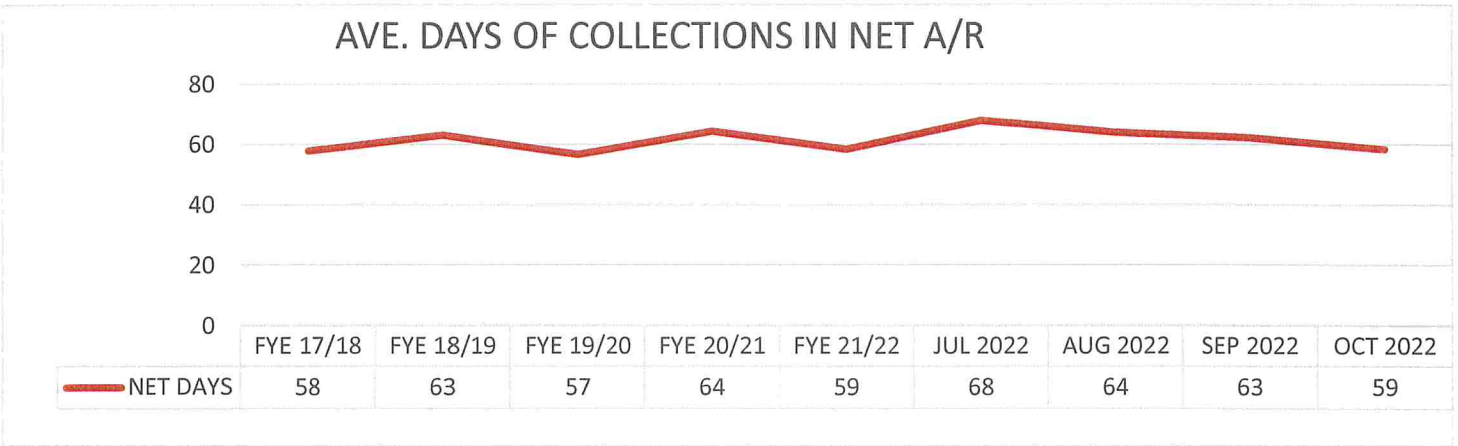
AVERAGE DAYS CASH ON HAND



CURRENT RATIO and QUICK RATIO



SAN GORGONIO MEMORIAL HOSPITAL



SAN GORGONIO MEMORIAL HOSPITAL
EXECUTIVE FINANCIAL SUMMARY
FOUR MONTHS ENDING OCTOBER 31, 2022

STATEMENT OF REVENUE AND EXPENSES - MONTH & YTD						
REF LINE#		10/31/22 ACTUAL	10/31/22 BUDGET	YTD ACTUAL	YTD BUDGET	YTD DIFFERENCE
	Revenue:					
[1]	Gross Patient Revenues	\$ 40,581,924	\$ 43,100,940	\$ 160,276,951	\$ 173,859,193	\$ (13,582,242)
[2]	Deductions From Revenue	(35,447,702)	(37,475,309)	(139,406,022)	(151,166,703)	11,760,681
[3]	Net Patient Revenues	5,134,222	5,625,631	20,870,929	22,692,490	(1,821,560)
[4]	IGT Revenue	-	-	-	-	-
[5]	Other Operating Revenue	540,062	557,030	2,442,793	2,564,183	(121,390)
[6]	Total Operating Revenues	5,674,284	6,182,661	23,313,722	25,256,673	(1,942,951)
	Expenses:					
[7]	Salaries, Benefits	4,400,849	4,664,962	17,565,282	18,373,177	807,895
	Contract Labor	50,991	76,043	326,569	297,396	(29,173)
	Physicians Fees	308,777	365,231	1,211,009	1,460,924	249,915
	Other Purchase Services	802,604	1,042,961	3,426,122	4,171,845	745,723
[8]	Purchased Serv. & Physician Fees	1,162,371	1,484,235	4,963,700	5,930,165	966,464
[9]	Supply Expenses	895,128	1,108,678	3,305,264	4,432,180	1,126,916
[10]	Other Operating Expenses & Clinic Loss	465,101	477,945	1,912,357	2,095,325	182,968
[11]	Supplimental and Grant Expense	-	-	-	-	-
[12]	Total Expenses	\$ 6,923,449	\$ 7,735,820	\$ 27,746,603	\$ 30,830,847	\$ 3,084,243
						0
[13]	EBIDA	\$ (1,249,165)	\$ (1,553,160)	\$ (4,432,881)	\$ (5,574,174)	\$ 1,141,293
						0
[14]	Depreciation & Interest Expense	841,374	1,006,530	3,613,627	3,817,611	203,984
[15]	Non-Operating Revenue/(Exp.)	629,421	1,092,982	3,905,057	4,371,927	(466,869)
[16]	TOTAL NET SURPLUS (LOSS)	\$ (1,461,118)	\$ (1,466,708)	\$ (4,141,450)	\$ (5,019,858)	\$ 878,407

SAN GORGONIO MEMORIAL HOSPITAL
EXECUTIVE FINANCIAL SUMMARY
FOUR MONTHS ENDING OCTOBER 31, 2022

		BALANCE SHEET	
		YTD	Prior FYE
		10/31/2022	6/30/2022
	ASSETS		
[1]	Current Assets	\$ 21,191,427	\$ 23,401,085
[2]	Assets Whose Use is Limited	8,439,726	12,704,494
[3]	Property, Plant & Equipment (Net)	73,044,777	73,514,801
[4]	Other Assets	594,861	503,000
[5]	Total Unrestricted Assets	103,270,792	110,123,380
[6]	Restricted Assets	0	0
[7]	Total Assets	\$ 103,270,792	\$ 110,123,380
	LIABILITIES AND NET ASSETS		
[8]	Current Liabilities	\$27,115,169	\$33,649,575
[9]	Long-Term Debt	111,789,323	105,323,946
[10]	Other Long-Term Liabilities	2,231,628	2,231,626
[11]	Total Liabilities	\$ 141,136,120	\$ 141,205,147
[12]	Net Assets	\$ (37,865,328)	\$ (31,081,767)
[13]	Total Liabilities and Net Assets	\$ 103,270,792	\$ 110,123,380



KEY STATISTICS AND RATIOS

	09/30/22 ACTUAL	10/31/22 ACTUAL	10/31/22 BUDGET	2023 YTD	2022 YR END TOTAL
	FY 23	FY 23	FY 23	FY 23	FY 22
[1] Total Acute Patient Days	616	582	960	2,567	9,689
[2] Average Daily Census	20.5	18.8	31.0	20.9	26.5
[3] Average Acute Length of Stay	3.5	3.2	4.1	3.5	3.9
[4] Patient Discharges	175	184	237	742	2,502
[5] Observation Days	273	239	237	1,017	2,775
[6] Total Emergency Room Visits	3,599	3,619	3,237	14,359	39,374
[7] Average ED Visits Per Day	120	117	104	117	108
[9] Total Surgeries	156	157	121	680	1,446
[10] Deliveries/Births	17	15	13	58	175

Statement of Revenue and Expense
SAN GORGONIO MEMORIAL HOSPITAL
BANNING, CALIFORNIA
FOUR MONTHS ENDING OCTOBER 31, 2022

	DISTRICT ONLY ACTUAL 10/31/22	CURRENT MONTH			
		FY 23 ACTUAL 10/31/22	FY 23 CUR MO BUD 10/31/22	Positive (Negative) Variance	Percentage Variance
Gross Patient Revenue					
[1] Inpatient Revenue	\$ -	\$ 13,331,273	\$ 20,997,083	\$ (7,665,810)	-57.5%
[2] Inpatient Psych/Rehab Revenue	-	-	-	-	-
[3] Outpatient Revenue	-	27,250,651	\$ 22,103,857	5,146,794	18.9%
[4] Long Term Care Revenue	-	-	-	-	-
[5] Home Health Revenue	-	-	-	-	-
[6] Total Gross Patient Revenue	\$ -	\$ 40,581,924	\$ 43,100,940	\$ (2,519,016)	-6.2%
Deductions From Revenue					
[7] Discounts and Allowances	-	(34,683,286)	\$ (35,879,417)	\$ 1,196,130	-3.4%
[8] Bad Debt Expense	-	(734,463)	\$ (1,517,804)	783,341	-106.7%
[9] Prior Year Settlements	-	-	\$ -	-	-
[10] Charity Care	-	(29,952)	\$ (78,088)	48,136	-160.7%
[11] Total Deductions From Revenue	-	(35,447,702)	(37,475,309)	\$ 2,027,607	-5.7%
[12]		-87.3%	-86.9%		
[13] Net Patient Revenue	\$ -	\$ 5,134,222	\$ 5,625,631	\$ (491,409)	-9.6%
Non Patient Operating Revenues					
[14] IGT/DSH Revenues	-	-	\$ -	\$ -	0.0%
[15] Grants & Other Op Revenues	-	138,568	\$ 144,286	(5,718)	-4.1%
[16] Clinic Net Revenues	-	-	\$ -	-	-
[17] Tax Subsidies Measure D	246,994	246,994	246,994	(0)	0.0%
[18] Tax Subsidies Prop 13	154,500	154,500	\$ 154,500	-	0.0%
[19] Tax Subsidies County Supplemental Funds	-	-	\$ 11,250	(11,250)	0.0%
Non- Patient Revenue	\$ 401,494	\$ 540,062	\$ 557,030	\$ (16,968)	-3.1%
Total Operating Revenue	\$ 401,494	\$ 5,674,284	\$ 6,182,661	\$ (508,376)	-9.0%
Operating Expenses					
[20] Salaries and Wages	-	3,505,628	3,744,517	\$ 238,889	6.8%
[21] Fringe Benefits	-	895,221	920,446	25,224	2.8%
[22] Contract Labor	-	50,991	76,043	25,052	49.1%
[23] Physicians Fees	-	308,777	365,231	56,454	18.3%
[24] Purchased Services	1,118	802,604	1,042,961	240,357	29.9%
[25] Supply Expense	-	895,128	1,108,678	213,551	23.9%
[26] Utilities	1,857	99,363	78,567	(20,797)	-20.9%
[27] Repairs and Maintenance	8,960	111,348	75,564	(35,784)	-32.1%
[28] Insurance Expense	-	119,141	122,979	3,838	3.2%
[29] All Other Operating Expenses	-	84,177	99,325	15,147	18.0%
[30] Supplemental and Grant Expense	-	-	0	-	0.0%
[31] Leases and Rentals	-	51,072	101,511	50,439	98.8%
[32] Clinic Expense	-	-	0	-	0.0%
[33] Total Operating Expenses	\$ 11,934	\$ 6,923,449	\$ 7,735,820	\$ 812,371	11.7%
[34] EBIDA	\$ 389,560	\$ (1,249,165)	\$ (1,553,160)	\$ 303,995	-24.3%
Interest Expense and Depreciation					
[35] Depreciation	406,450	446,580	550,579	\$ 103,999	23.3%
[36] Interest Expense and Amortization	313,245	394,794	455,951	61,157	15.5%
[37] Total Interest & depreciation	719,695	841,374	1,006,530	165,156	19.6%
Non-Operating Revenue:					
[38] Contributions & Other	1,523	2,068	466,744	(464,677)	-22474.1%
[39] Tax Subsidies for GO Bonds - M-A	627,353	627,353	626,237	1,116	0.2%
[40] Total Non Operating Revenue/(Expense)	628,876	629,421	1,092,982	\$ (463,561)	-73.6%
[41] Total Net Surplus/(Loss)	\$ 298,741	\$ (1,461,118)	\$ (1,466,708)	\$ 5,590	-0.4%
[42] Extra-ordinary loss on Financing	-	-	-	-	-
[43] Increase/(Decrease in Unrestricted Net Assets	\$ 298,741	\$ (1,461,118)	\$ (1,466,708)	\$ 5,590	-0.4%
[44] Total Profit Margin	74.41%	-25.75%	-23.72%		
[45] EBIDA %	97.03%	-22.01%	-25.12%		

Statement of Revenue and Expense
SAN GORGONIO MEMORIAL HOSPITAL
BANNING, CALIFORNIA
FOUR MONTHS ENDING OCTOBER 31, 2022

		YEAR-TO-DATE				
		DISTRICT ONLY			Positive	Percentage
		Actual	Actual	Budget	(Negative)	Variance
		10/31/22	10/31/22	10/31/22	Variance	
Gross Patient Revenue						
[1]	Inpatient Revenue	\$ -	\$ 58,518,299	\$ 84,164,413	\$ (25,646,114)	-43.8%
[2]	Inpatient Psych/Rehab Revenue	-	-	-	-	
[3]	Outpatient Revenue	-	101,758,652	\$ 89,694,780	12,063,872	11.9%
[4]	Long Term Care Revenue	-	-	-	-	
[5]	Home Health Revenue	-	-	-	-	
[6]	Total Gross Patient Revenue	\$ -	\$ 160,276,951	\$ 173,859,193	\$ (13,582,242)	-8.5%
Deductions From Revenue						
[7]	Discounts and Allowances	-	(135,308,515)	\$ (144,729,243)	\$ 9,420,728	7.0%
[8]	Bad Debt Expense	-	(3,545,052)	\$ (6,122,470)	2,577,418	72.7%
[9]	Prior Year Settlements	-	-	-	-	
[10]	Charity Care	-	(552,455)	\$ (314,990)	(237,465)	-43.0%
[11]	Total Deductions From Revenue	-	(139,406,022)	(151,166,703)	\$ 11,760,681	8.4%
[12]			87.0%	-86.9%		
[13]	Net Patient Revenue	\$ -	\$ 20,870,929	\$ 22,692,490	\$ (1,821,560)	-8.7%
Non Patient Operating Revenues						
[14]	IGT/DSH Revenues	-	-	\$ -	\$ -	0.0%
[15]	Grants & Other Op Revenues	-	836,818	\$ 913,208	(76,390)	-9.1%
[16]	Clinic Net Revenues	-	-	\$ -	-	
[17]	Tax Subsidies Measure D	466,666	987,975	\$ 987,975	(0)	0.0%
[18]	Tax Subsidies Prop 13	618,000	618,000	\$ 618,000	-	0.0%
[19]	Tax Subsidies County Supplemental Funds	-	-	\$ 45,000	(45,000)	0.0%
	Non- Patient Revenue	\$ 1,084,666	\$ 2,442,793	\$ 2,564,183	\$ (121,390)	-5.0%
	Total Operating Revenue	\$ 1,084,666	\$ 23,313,722	\$ 25,256,673	\$ (1,942,951)	-8.3%
Operating Expenses						
[20]	Salaries and Wages	-	13,998,084	\$ 14,711,462	\$ 713,378	5.1%
[21]	Fringe Benefits	-	3,567,198	\$ 3,661,715	94,517	2.6%
[22]	Contract Labor	-	326,569	\$ 297,396	(29,173)	-8.9%
[23]	Physicians Fees	-	1,211,009	\$ 1,460,924	249,915	20.6%
[24]	Purchased Services	4,012	3,426,122	\$ 4,171,845	745,723	21.8%
[25]	Supply Expense	-	3,305,264	\$ 4,432,180	1,126,916	34.1%
[26]	Utilities	8,909	415,614	\$ 497,814	82,200	19.8%
[27]	Repairs and Maintenance	41,416	361,772	\$ 302,255	(59,517)	-16.5%
[28]	Insurance Expense	-	517,875	\$ 491,915	(25,960)	-5.0%
[29]	All Other Operating Expenses	-	282,168	\$ 397,299	115,131	40.8%
[30]	Supplimental and Grant Expense	-	-	\$ -	-	0.0%
[31]	Leases and Rentals	-	334,928	\$ 406,042	71,114	21.2%
[32]	Clinic Expense	-	-	\$ -	-	0.0%
[33]	Total Operating Expenses	\$ 54,337	\$ 27,746,603	\$ 30,830,847	\$ 3,084,243	11.1%
[34]	EBIDA	\$ 1,030,329	\$ (4,432,881)	\$ (5,574,174)	\$ 1,141,293	-25.7%
Interest Expense and Depreciation						
[35]	Depreciation	1,769,393	1,809,523	\$ 2,130,889	\$ 321,365	17.8%
[36]	Interest Expense and Amortization	1,379,718	1,804,103	\$ 1,686,722	(117,381)	-6.5%
[37]	Total Interest & depreciation	3,149,111	3,613,627	3,817,611	203,984	5.6%
Non-Operating Revenue:						
[38]	Contributions & Other	1,393,126	1,395,645	\$ 1,866,977	(471,332)	-33.8%
[39]	Tax Subsidies for GO Bonds - M-A	2,509,413	2,509,413	\$ 2,504,950	4,463	0.2%
[40]	Total Non Operating Revenue/(Expense)	3,902,539	3,905,057	4,371,927	(466,869)	-12.0%
[41]	Total Net Surplus/(Loss)	\$ 1,783,757	\$ (4,141,450)	\$ (5,019,858)	\$ 878,407	-21.2%
[42]	Extra-ordinary loss on Financing	-	-	-	-	
[43]	Increase/(Decrease in Unrestricted Net Assets)	\$ 1,783,757	\$ (4,141,450)	\$ (5,019,858)	\$ 878,407	-21.2%
[44]	Total Profit Margin	164.45%	-17.76%	-19.88%		
[45]	EBIDA %	94.99%	-19.01%	-22.07%		

Balance Sheet - Assets

SAN GORGONIO MEMORIAL HOSPITAL

BANNING, CALIFORNIA

FOUR MONTHS ENDING OCTOBER 31, 2022

		ASSETS				
		DISTRICT ONLY				
		Current Month 10/31/2022	Current Month 10/31/2022	Prior Month 9/30/2022	Positive/ (Negative) Variance	Prior Year End 6/30/2022
Current Assets						
[1]	Cash and Cash Equivalents	2,303,148	\$3,306,606	\$2,926,986	\$ 379,620	\$ 11,340,002
[2]	Gross Patient Accounts Receivable	\$0	\$82,740,982	\$82,802,146	\$ (61,164)	77,594,807
[3]	Less: Bad Debt and Allowance Reserves	\$0	(\$74,220,043)	(\$74,126,240)	\$ (93,804)	(69,099,845)
[4]	Net Patient Accounts Receivable	\$0	\$8,520,939	\$8,675,906	\$ (154,968)	8,494,961
[5]	Taxes Receivable	\$5,136,355	\$5,136,355	\$4,107,409	\$ 1,028,946	1,178,859
[6]	Other Receivables (includes advances)	660,465	\$449,019	\$273,155	\$ 175,865	738,141
[7]	Inventories	\$0	\$2,270,526	\$2,693,773	\$ (423,247)	2,297,204
[8]	Prepaid Expenses	126,169	\$3,051,852	\$1,396,657	\$ 1,655,195	1,197,395
[9]	Due From Third Party Payers-DSH	\$0	(\$1,543,869)	(\$1,332,477)	\$ (211,392)	(1,845,477)
[10]	Malpractice Receivable	\$0	\$0	\$0	\$ -	-
[11]	Supplimental Receivables	\$0	\$0	\$0	\$ -	-
	Total Current Assets	8,226,136	21,191,427	18,741,408	\$ (736,481)	\$ 23,401,085
Assets Whose Use is Limited						
[12]	Cash					
[13]	Investments					
[14]	Bond Reserve/Debt Retirement Fund	\$8,439,726	\$8,439,726	\$8,395,962	\$ 43,764	12,704,494
[15]	Trustee Held Funds					
[16]	Funded Depreciation					
[17]	Board Designated Funds					
[18]	Other Limited Use Assets					0
	Total Limited Use Assets	8,439,726	8,439,726	8,395,962	\$ (223,324)	\$ 12,704,494
Property, Plant, and Equipment						
[19]	Land and Land Improvements	4,828,182	4,828,182	4,828,182	\$ -	\$ 4,828,182
[20]	Building and Building Improvements	129,281,491	129,281,491	129,281,491	\$ -	129,281,491
[21]	Equipment	27,060,543	27,060,543	27,045,243	\$ 15,300	26,856,789
[22]	Construction In Progress	1,862,472	1,862,472	1,754,216	\$ 108,256	1,694,007
[23]	Capitalized Interest					
[24]	Gross Property, Plant, and Equipment	163,032,688	163,032,688	162,909,132	\$ 123,556	162,660,469
[25]	Less: Accumulated Depreciation	(\$89,987,911)	(\$89,987,911)	(\$89,581,461)	\$ (406,450)	(89,145,667)
[26]	Net Property, Plant, and Equipment	73,044,777	73,044,777	73,327,671	\$ (475,050)	\$ 73,514,801
Other Assets						
[27]	Unamortized Loan Costs	\$627,385	\$594,861	\$606,673	\$ (11,812)	\$ 614,440
[28]	Assets Held for Future Use		\$0	\$0	\$ -	485
[29]	Investments in Subsidiary/Affiliated Org.	\$28,967,972	\$0	\$0	\$ -	(111,925)
[30]	Other					
[31]	Total Other Assets	29,595,356	594,861	606,673	\$ (11,812)	\$ 503,000
[32]	TOTAL UNRESTRICTED ASSETS	119,305,996	103,270,792	101,071,714	\$ 2,199,078	\$ 110,123,381
Restricted Assets						
		0	0	0	0	0
[33]	TOTAL ASSETS	\$119,305,996	\$103,270,792	\$101,071,714	\$ 2,199,078	\$ 110,123,381

Note: Certain Balance Sheet items, including "Total Net Assets" do not include or reflect all of the final audit entries from the FYE June 30, 2022. Because these reports are prepared for internal users only, they do not purport to conform to the principles contained in U.S. GAAP.

Balance Sheet - Liabilities and Net Assets
SAN GORGONIO MEMORIAL HOSPITAL
BANNING, CALIFORNIA
FOUR MONTHS ENDING OCTOBER 31, 2022

	DISTRICT ONLY	LIABILITIES AND FUND BALANCE			
	Current Month 10/31/2022	Current Month 10/31/2022	Prior Month 9/30/2022	Positive/ (Negative) Variance	Prior Year End 6/30/2022
Current Liabilities					
[1] Accounts Payable	\$ 347,298	\$ 10,172,892	\$ 10,135,826	\$ (37,066)	\$ 10,600,622
[2] Notes and Loans Payable (Line of Credit)	-	0	0	-	12,000,000
[3] Accounts Payable- Tax advance	-	-	-	\$ -	-
[4] Accrued Payroll Taxes	-	7,417,886	6,422,302	\$ (995,584)	5,597,527
[5] Accrued Benefits	-	-	-	\$ -	-
[6] Accrued Benefits Current Portion	-	-	-	\$ -	-
[7] Other Accrued Expenses	-	-	-	\$ -	-
[8] Accrued GO Bond Interest Payable	1,248,544	1,248,544	1,376,337	\$ 127,793	2,526,756
[9] Stimulus Advance	-	7,355	4,779	\$ (2,576)	4,259
[10] Due to Third Party Payers (Settlements)	-	3,417,500	-	\$ (3,417,500)	-
[11] Advances From Third Party Payers	-	-	-	\$ -	-
[12] Current Portion of LTD (Bonds/Mortgages)	2,335,000	2,335,000	2,335,000	\$ -	2,335,000
[13] Current Portion of LTD (Leases)	-	-	-	\$ -	-
[14] Other Current Liabilities	-	2,515,991	593,374	-	585,411
Total Current Liabilities	3,930,842	27,115,169	20,867,618	\$ 791,861	33,649,575
Long Term Debt					
[15] Bonds/Mortgages Payable (net of Cur Portion)	99,542,891	\$99,996,280	\$ 101,936,923	\$ 1,940,643	\$ 103,030,598
[16] Leases Payable (net of current portion)	\$11,793,043	\$11,793,043	\$11,804,064	\$ 11,021	\$2,293,348
[17] Total Long Term Debt (Net of Current)	111,335,934	111,789,323	113,740,987	\$ 313,358	105,323,946
Other Long Term Liabilities					
[18] Deferred Revenue	-	-	-	-	-
[19] Accrued Pension Expense (Net of Current)	-	-	-	-	-
[20] Other-Bridge Loan	0	2,231,628	2,231,628	\$ -	2,231,628
[21] Total Other Long Term Liabilities	0	2,231,628	2,231,628	0	2,231,628
TOTAL LIABILITIES	\$ 115,266,776	\$ 141,136,120	\$ 136,840,233	\$ (4,295,886)	\$ 141,205,148
Net Assets:					
[22] Unrestricted Fund Balance	2,255,463	(33,723,878)	(33,723,878)	\$ -	\$ (25,347,940)
[23] Temporarily Restricted Fund Balance	-	-	-	-	-
[24] Restricted Fund Balance	-	-	-	-	-
[25] Net Revenue/(Expenses)	1,783,757	(4,141,450)	(2,044,642)	2,096,808	(5,733,827)
[26] TOTAL NET ASSETS	4,039,220	(37,865,328)	(35,768,520)	\$ 2,096,808	\$ (31,081,767)
[27] TOTAL LIABILITIES AND NET ASSETS	\$ 119,305,996	\$ 103,270,792	\$ 101,071,714	\$ (2,199,078)	\$ 110,123,381
	\$ 0	\$ 0	\$ (0)	(\$0) 0	\$ -

Note: Certain Balance Sheet items, including "Total Net Assets" do not include or reflect all of the final audit entries from the FYE June 30, 2022. Because these reports are prepared for internal users only, they do not purport to conform to the principles contained in U.S. GAAP.

Statement of Cash Flows

SAN GORGONIO MEMORIAL HOSPITAL BANNING, CALIFORNIA FOUR MONTHS ENDING OCTOBER 31, 2022

		CASH FLOW	
		Current	
		Month	
		10/31/2022	
		<hr/>	
HEALTHCARE SYSTEM CASH FLOW			
BEGINNING CASH BALANCES			
[1]	Cash: Beginning Balances- HOSPITAL	\$	272,096
[2]	Cash: Beginning Balances- DISTRICT		2,303,148
[3]	Cash: Beginning Balances TOTALS	\$	<hr/> 2,575,244
Receipts			
[4]	Pt Collections	\$	5,911,700
[5]	Tax Subsidies Measure D/Prop 13		-
[6]	Misc Tax Subsidies		-
[7]	Donations/Grants		42,303
[8]	IGT & other Supplemental (Net)		-
[9]	Draws/(Paydown) of LOC Balances		-
[10]	Other Misc Receipts/Transfers		96,265
	TOTAL RECEIPTS	\$	<hr/>6,050,268
Disbursements			
[11]	Payroll/ Benefits	\$	4,600,849
[12]	Other Operating Costs		757,145
[13]	Capital Spending		0
[14]	Debt serv payments (Hosp onlyw/ LOC interest)		
[15]	Other (increase) in AP /other bal sheet		(37,066)
[16]	TOTAL DISBURSEMENTS	\$	<hr/>5,318,906
[17]	TOTAL CHANGE in CASH	\$	<hr/>731,362
ENDING CASH BALANCES			
[18]	Ending Balances- HOSPITAL	\$	1,003,459
[19]	Ending Balances- DISTRICT		2,303,148
[20]	Ending Balances- TOTALS	\$	<hr/> 3,306,606
ADDITIONAL INFO			
[21]	LOC CURRENT BALANCES	\$	-
			<hr/> 380,000

Statement of Revenue and Expense
SAN GORGONIO MEMORIAL HOSPITAL
BANNING, CALIFORNIA
THREE MONTHS ENDING SEPTEMBER 30, 2022

	DISTRICT ONLY	CURRENT MONTH				
		ACTUAL	FY 23	FY 23	Positive (Negative) Variance	Percentage Variance
			ACTUAL	CUR MO BUD		
	09/30/22	09/30/22	09/30/22			
Gross Patient Revenue						
[1] Inpatient Revenue	\$ -	\$ 13,156,157	\$ 20,881,459	\$ (7,725,302)	-58.7%	
[2] Inpatient Psych/Rehab Revenue	-	-	-	-	-	
[3] Outpatient Revenue	-	24,122,862	\$ 22,663,136	1,459,725	6.1%	
[4] Long Term Care Revenue	-	-	-	-	-	
[5] Home Health Revenue	-	-	-	-	-	
[6] Total Gross Patient Revenue	\$ -	\$ 37,279,018	\$ 43,544,595	\$ (6,265,577)	-16.8%	
Deductions From Revenue						
[7] Discounts and Allowances	-	(30,986,845)	\$ (36,248,738)	\$ 5,261,893	-17.0%	
[8] Bad Debt Expense	-	(1,113,485)	\$ (1,533,428)	419,942	-37.7%	
[9] Prior Year Settlements	-	-	\$ -	-	-	
[10] Charity Care	-	(427,789)	\$ (78,892)	(348,897)	81.6%	
[11] Total Deductions From Revenue	-	(32,528,119)	(37,861,057)	\$ 5,332,938	-16.4%	
[12]		-87.3%	-86.9%			
[13] Net Patient Revenue	\$ -	\$ 4,750,899	\$ 5,683,538	\$ (932,639)	-19.6%	
Non Patient Operating Revenues						
[14] IGT/DSH Revenues	-	-	\$ -	\$ -	0.0%	
[15] Grants & Other Op Revenues	-	93,358	\$ 144,286	(50,928)	-54.6%	
[16] Clinic Net Revenues	-	-	\$ -	-	-	
[17] Tax Subsidies Measure D	246,994	246,994	\$ 246,994	0	0.0%	
[18] Tax Subsidies Prop 13	154,500	154,500	\$ 154,500	-	0.0%	
[19] Tax Subsidies County Supplemental Funds	-	-	\$ 11,250	(11,250)	0.0%	
Non- Patient Revenue	\$ 401,494	\$ 494,852	\$ 557,030	\$ (62,178)	-12.6%	
Total Operating Revenue	\$ 401,494	\$ 5,245,751	\$ 6,240,568	\$ (994,816)	-19.0%	
Operating Expenses						
[20] Salaries and Wages	-	3,344,149	3,662,607	\$ 318,458	9.5%	
[21] Fringe Benefits	-	904,958	914,545	9,588	1.1%	
[22] Contract Labor	-	72,561	74,695	2,134	2.9%	
[23] Physicians Fees	-	293,059	365,231	72,172	24.6%	
[24] Purchased Services	2,462	1,003,052	1,042,961	39,909	4.0%	
[25] Supply Expense	-	823,019	1,116,539	293,520	35.7%	
[26] Utilities	1,876	113,507	156,818	43,311	38.2%	
[27] Repairs and Maintenance	14,937	51,558	75,564	24,005	46.6%	
[28] Insurance Expense	-	133,709	122,979	(10,730)	-8.0%	
[29] All Other Operating Expenses	-	47,279	99,325	52,046	110.1%	
[30] Supplemental and Grant Expense	-	-	0	-	0.0%	
[31] Leases and Rentals	-	106,555	101,511	(5,044)	-4.7%	
[32] Clinic Expense	-	-	0	-	0.0%	
[33] Total Operating Expenses	\$ 19,275	\$ 6,893,407	\$ 7,732,775	\$ 839,368	12.2%	
[34] EBIDA	\$ 382,219	\$ (1,647,656)	\$ (1,492,207)	\$ (155,448)	9.4%	
Interest Expense and Depreciation						
[35] Depreciation	406,450	406,450	550,579	\$ 144,130	35.5%	
[36] Interest Expense and Amortization	355,607	409,794	372,757	(37,036)	-9.0%	
[37] Total Interest & depreciation	762,057	816,243	923,336	107,093	13.1%	
Non-Operating Revenue:						
[38] Contributions & Other	2,538	3,065	466,744	(463,679)	-15128.6%	
[39] Tax Subsidies for GO Bonds - M-A	627,353	627,353	626,237	1,116	0.2%	
[40] Total Non Operating Revenue/(Expense)	629,891	630,418	1,092,982	\$ (462,564)	-73.4%	
[41] Total Net Surplus/(Loss)	\$ 250,054	\$ (1,833,481)	\$ (1,322,562)	\$ (510,919)	27.9%	
[42] Extra-ordinary loss on Financing	-	-	-	-	-	
[43] Increase/(Decrease in Unrestricted Net Assets	\$ 250,054	\$ (1,833,481)	\$ (1,322,562)	\$ (510,919)	27.9%	
[44] Total Profit Margin	62.28%	-34.95%	-21.19%			
[45] EBIDA %	95.20%	-31.41%	-23.91%			

Statement of Revenue and Expense

SAN GORGONIO MEMORIAL HOSPITAL

BANNING, CALIFORNIA

THREE MONTHS ENDING SEPTEMBER 30, 2022

			YEAR-TO-DATE		
DISTRICT ONLY					
	Actual 09/30/22	Actual 09/30/22	Budget 09/30/22	Positive (Negative) Variance	Percentage Variance
Gross Patient Revenue					
[1] Inpatient Revenue	\$ -	\$ 45,187,026	\$ 63,167,330	\$ (17,980,305)	-39.8%
[2] Inpatient Psych/Rehab Revenue	-	-	-	-	-
[3] Outpatient Revenue	-	74,508,001	\$ 67,590,923	6,917,079	9.3%
[4] Long Term Care Revenue	-	-	-	-	-
[5] Home Health Revenue	-	-	-	-	-
[6] Total Gross Patient Revenue	\$ -	\$ 119,695,027	\$ 130,758,253	\$ (11,063,226)	-9.2%
Deductions From Revenue					
[7] Discounts and Allowances	-	(100,750,038)	\$ (108,849,827)	\$ 8,099,789	8.0%
[8] Bad Debt Expense	-	(2,810,589)	\$ (4,604,666)	1,794,076	63.8%
[9] Prior Year Settlements	-	-	\$ -	-	-
[10] Charity Care	-	(522,502)	\$ (236,902)	(285,600)	-54.7%
[11] Total Deductions From Revenue	-	(104,083,129)	(113,691,394)	\$ 9,608,265	9.2%
[12]		87.0%	-86.9%		
[13] Net Patient Revenue	\$ -	\$ 15,611,898	\$ 17,066,859	\$ (1,454,961)	-9.3%
Non Patient Operating Revenues					
[14] IGT/DSH Revenues	-	-	\$ 336,064	\$ (336,064)	#DIV/0!
[15] Grants & Other Op Revenues	-	698,249	\$ 432,858	265,391	38.0%
[16] Clinic Net Revenues	-	-	\$ -	-	-
[17] Tax Subsidies Measure D	493,988	740,981	\$ 740,981	0	0.0%
[18] Tax Subsidies Prop 13	309,000	463,500	\$ 463,500	-	0.0%
[19] Tax Subsidies County Supplemental Funds	-	-	\$ 33,750	(33,750)	0.0%
Non- Patient Revenue	\$ 802,988	\$ 1,902,731	\$ 2,007,153	\$ (104,423)	-5.5%
Total Operating Revenue	\$ 802,988	\$ 17,514,629	\$ 19,074,012	\$ (1,559,384)	-8.9%
Operating Expenses					
[20] Salaries and Wages	-	10,492,456	\$ 10,966,945	\$ 474,490	4.5%
[21] Fringe Benefits	-	2,671,977	\$ 2,741,269	69,292	2.6%
[22] Contract Labor	-	275,578	\$ 221,353	(54,225)	-19.7%
[23] Physicians Fees	-	861,465	\$ 1,095,693	234,228	27.2%
[24] Purchased Services	433	2,664,285	\$ 3,128,884	464,598	17.4%
[25] Supply Expense	-	2,410,136	\$ 3,323,502	913,365	37.9%
[26] Utilities	5,177	316,251	\$ 419,247	102,996	32.6%
[27] Repairs and Maintenance	17,519	250,424	\$ 226,691	(23,733)	-9.5%
[28] Insurance Expense	-	398,734	\$ 368,937	(29,798)	-7.5%
[29] All Other Operating Expenses	-	197,991	\$ 297,974	99,983	50.5%
[30] Supplemental and Grant Expense	-	-	\$ -	-	0.0%
[31] Leases and Rentals	-	283,856	\$ 304,532	20,675	7.3%
[32] Clinic Expense	-	-	\$ -	-	0.0%
[33] Total Operating Expenses	\$ 23,128	\$ 20,823,154	\$ 23,095,026	\$ 2,271,873	10.9%
[34] EBIDA	\$ 779,859	\$ (3,308,525)	\$ (4,021,014)	\$ 712,489	-21.5%
Interest Expense and Depreciation					
[35] Depreciation	956,493	1,362,943	\$ 1,580,309	\$ 217,366	15.9%
[36] Interest Expense and Amortization	710,866	1,409,310	\$ 1,230,772	(178,538)	-12.7%
[37] Total Interest & depreciation	1,667,359	2,772,253	2,811,081	38,828	1.4%
Non-Operating Revenue:					
[38] Contributions & Other	1,391,604	1,393,577	\$ 1,400,233	(6,656)	-0.5%
[39] Tax Subsidies for GO Bonds - M-A	1,882,059	1,882,059	\$ 1,878,712	3,347	0.2%
[40] Total Non Operating Revenue/(Expense)	3,273,663	3,275,636	3,278,945	(3,309)	-0.1%
[41] Total Net Surplus/(Loss)	\$ 2,386,163	\$ (2,805,141)	\$ (3,553,150)	\$ 748,008	-26.7%
[42] Extra-ordinary loss on Financing	-	-	-	-	-
[43] Increase/(Decrease in Unrestricted Net Assets)	\$ 2,386,163	\$ (2,805,141)	\$ (3,553,150)	\$ 748,008	-26.7%
[44] Total Profit Margin	297.16%	-16.02%	-18.63%		
[45] EBIDA %	97.12%	-18.89%	-21.08%		

TAB C

San Gorgonio Memorial Hospital and San Gorgonio Memorial Health Care District

To: Finance Committee, Board of Directors, and District Board

Agenda Item for November 29, 2022 Finance Committee and December 6, 2022 Board Meetings

Subject:

Renewal of 2023 Annual Dues for the District Hospital Leadership Forum (DHLF)

San Gorgonio Memorial Healthcare District & Hospital have been members of the DHFL for many years. The DHLF is the group which formally oversees the overall guidance and planning for all matters related to Supplemental Funding on behalf of California Healthcare Districts. DHLF also coordinates their efforts with numerous California agencies (including CHA) in areas that impact the Healthcare Districts.

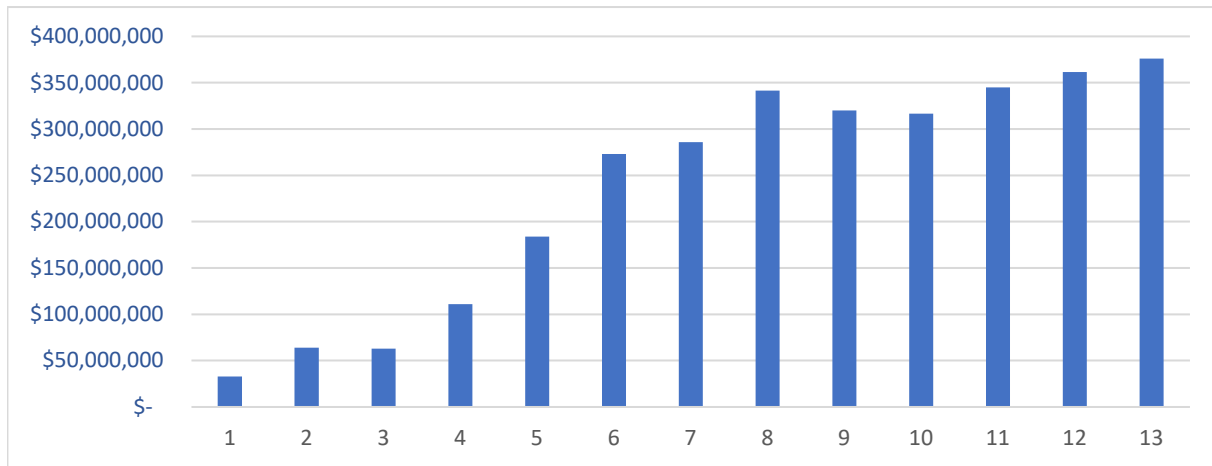
A summary of the Supplemental Funding programs is attached. These programs have procured over \$376M for District/Municipal Hospitals since 2010. As you will recall, San Gorgonio is expected to receive \$16M+ of Supplemental Funding in the current FY 2023.

The DHLF has regular Board Meetings and weekly CFO meetings, both of which are very helpful to the CEO and CFO in planning, forecasting, and budgeting for SGMHD's Supplemental Funding.

Recommended Action: To approve the 2023 membership dues of \$77,669.71 as outlined.

Copies of the supporting documents are included in the packet.

2022 DHLF Value Statement: Aggregate Supplemental Funding for District/Municipal Hospitals, 2010-2022



	AB 113	Provider Fee	Rate Range	PRIME	TOTAL
2010		27,000,000	6,000,000		33,000,000
2011	36,000,000	18,000,000	10,000,000		64,000,000
2012	30,000,000	18,000,000	15,000,000		63,000,000
2013	30,000,000	26,000,000	55,000,000		111,000,000
2014	52,000,000	71,000,000	61,000,000		184,000,000
2015	38,000,000	73,000,000	62,000,000	100,000,000	273,000,000
2016	38,000,000	73,000,000	75,000,000	100,000,000	286,000,000
2017	35,000,000	108,000,000	100,000,000	100,000,000	343,000,000
2018	22,000,000	108,000,000	100,000,000	90,000,000	320,000,000
2019	17,000,000	108,000,000	115,000,000	76,500,000	316,500,000
2020	14,350,000	110,000,000	142,946,000	83,275,000	350,571,000
2021	13,170,000	107,600,000	147,420,000	93,250,000	361,440,000
2022	20,301,000	108,400,000	147,420,000	100,000,000	376,121,000

*Excludes Medi-Cal DSH, AB 915 and DP/NF supplemental payments

Ongoing representation of district/municipal hospitals to address issues related to Medicare/Medi-Cal programs, and the relevant supplemental payment programs as identified above; as well as many of the organizations listed below:

- California Health and Human Services (CHHS)
- Department of Health Care Services (DHCS)
- Health & Human Services (HHS)
- Centers for Medicare and Medicaid Services (CMS)
- California Hospital Association (CHA)
- Hospital constituency groups (California Association of Public Hospital (CAPH) and others)
- California State Assembly / California State Senate
- California Congressional Delegation
- California Department of Finance and California Treasurer's Office
- California Department of Managed Health Care and Department of Insurance
- Medi-Cal managed care health plans and the California Association of Health Plans
- Various patient/consumer advocacy organizations
- County Supervisors Association of California



950 Glenn Road, Suite 250
Folsom, CA 95630
(916) 443-7401 T
(916) 552-7606 F

November 14, 2022

Mr. Dan Heckathorne
Chief Financial Officer
San Geronio Memorial Hospital
600 North Highland Springs Avenue
Banning, CA 92220

Invoice - L23024

Dues for participation in the District Hospital Leadership Forum:

- 2023 Annual Dues for the period Jan 1, 2023 – Dec 31, 2023, is: \$77,669.71
- *At the 11/08/2022 board of directors meeting, the Board agreed to the current dues Amount and 2023 budget.*

Amount Due..... \$77,669.71

Please make check payable to: **District Hospital Leadership Forum**

Mail To:

California Hospital Association
1215 K Street, Suite 700
Sacramento, CA 95814

If you have any questions regarding this invoice or prefer a payment plan, please contact Erin Hagstrom Clark at eclark@cadhlf.org or 916-673-2020.

The following information is for tax-exempt entities: For calendar year 2022, 990 and Medicare reporting, 20.3% of your consolidated dues are for direct lobbying expenses.

TAB D

San Geronio Healthcare District

Financial Statements and Supplementary
Information

Years ended June 30, 2022 and 2021



Independent Auditor's Report

Board of Directors
San Gorgonio Healthcare District
Banning, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of San Gorgonio Healthcare District (the "District"), which comprise the statements of net position as of June 30, 2022 and 2021, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of San Gorgonio Healthcare District as of June 30, 2022 and 2021, and the results of its operations for the years then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)* issued by the Comptroller General of the United States of America. 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 San Gorgonio Healthcare District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, 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 San Gorgonio Healthcare District's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

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 GAAS 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 GAAS 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 San Gorgonio Healthcare 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 San Gorgonio Healthcare 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.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and combining statements of net position and combining statements of revenues, expenses, and changes in net position are 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 GAAS. In our opinion, the information is fairly stated in all materiality respects in relation to the basic financial statements as a whole.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, during the year ended June 30, 2022 the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87 - *Leases*. Our opinion is not modified with respect to this matter.

Other Matters

Management has omitted the management's discussion and analysis that GAAP requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2022 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 San Geronio Healthcare 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.

A handwritten signature in black ink that reads "Wipfli LLP".

Wipfli LLP
Oakland, California
November 22, 2022

San Gorgonio Healthcare District

Statements of Net Position

<i>June 30,</i>	2022	2021
Current assets:		
Cash and cash equivalents:		
Unrestricted	\$ 9,995,092	\$ 2,395,672
Restricted, available for current debt service	1,078,770	25,281
Receivables:		
Patient accounts - Net	8,746,991	7,939,203
Other accounts	1,517,880	2,015,108
Estimated third-party payor settlements	-	1,169,887
Inventories	1,829,462	1,776,554
Prepaid expenses and other	346,202	21,485
Total current assets	23,514,397	15,343,190
Noncurrent assets:		
Capital assets - Nondepreciable	2,575,768	1,173,204
Capital assets - Net of accumulated depreciation	74,007,055	77,635,139
Cash and cash equivalents - Restricted, net of amount available for current debt service	12,449,588	9,566,747
Cash and cash equivalents - Board designated	284,694	279,619
Beneficial interest in the net assets of San Gorgonio Hospital Foundation	409,634	551,194
Total noncurrent assets	89,726,739	89,205,903
Deferred outflows of resources - Loss on bond refunding	605,217	645,507
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 113,846,353	\$ 105,194,600

San Gorgonio Healthcare District

Statements of Net Position (Continued)

<i>June 30,</i>	2022	2021
Current liabilities:		
Accounts payable	\$ 10,416,438	\$ 10,897,079
Accrued salary, payroll taxes, and benefits	6,546,139	4,865,852
Estimated third-party payor settlements	1,543,868	-
Accrued interest	1,929,921	1,943,680
Line of credit	12,000,000	-
Current portion of refundable advance	-	2,120,577
Current maturities of long-term debt	2,917,257	2,640,000
Current portion of leases payable	608,561	444,396
Legal settlement	3,417,500	-
Total current liabilities	39,379,684	22,911,584
Noncurrent liabilities:		
Long-term debt, less current portion	106,916,622	105,840,892
Obligations under leases payable, less current portion	1,273,925	507,783
Total noncurrent liabilities	108,190,547	106,348,675
Total liabilities	147,570,231	129,260,259
Net position:		
Net investment in capital assets	(29,376,096)	(27,540,332)
Restricted	13,528,358	9,592,028
Unrestricted	(17,876,140)	(6,117,355)
Total net position	(33,723,878)	(24,065,659)
TOTAL LIABILITIES AND NET POSITION	\$ 113,846,353	\$ 105,194,600

San Gorgonio Healthcare District

Statements of Revenues, Expenses, and Changes in Net Position

<i>Years Ended June 30,</i>	2022	2021
Operating revenue:		
Net patient service revenue	\$ 72,601,782	\$ 55,592,504
Other operating income	1,855,472	1,553,151
Total operating revenue	74,457,254	57,145,655
Operating expenses:		
Salaries and wages	40,816,267	37,724,583
Employee benefits	9,967,192	10,282,665
Legal and professional fees	4,030,984	4,024,802
Contract labor	1,256,177	992,041
Supplies	11,847,237	10,846,597
Utilities	1,312,180	1,107,443
Purchased service	6,075,302	7,348,384
Building and equipment rent	460,787	467,274
Depreciation	5,667,801	6,427,719
Other operating expense	8,193,755	9,463,186
Total operating expenses	89,627,682	88,684,694
Loss from operations	(15,170,428)	(31,539,039)
Nonoperating revenue (expenses):		
Taxes	12,205,535	11,558,266
Grants, contributions, and other nonoperating revenue	1,460,299	4,594,587
Interest expense	(4,736,125)	(5,410,496)
Total nonoperating revenue - Net	8,929,709	10,742,357
Deficit in revenue over expenses	(6,240,719)	(20,796,682)
Impairment loss on capital assets	-	(7,800)
Legal settlement loss	(3,417,500)	-
Decrease in net position	(9,658,219)	(20,804,482)
Net position - Beginning of year	(24,065,659)	(3,261,177)
Net position - End of year	\$ (33,723,878)	\$ (24,065,659)

San Geronio Healthcare District

Statements of Cash Flows

<i>Years Ended June 30,</i>	2022	2021
Cash flows from operating activities:		
Receipts from and on behalf of patients	\$ 72,387,170	\$ 61,388,313
Receipts from other operating revenue	2,352,702	2,426,657
Payments to employees	(49,103,172)	(47,043,419)
Payments to suppliers, contractors, and others	(34,034,688)	(29,007,939)
Net cash used in operating activities	(8,397,988)	(12,236,388)
Cash flows from noncapital financing activities:		
Taxation for operations	2,059,972	1,860,424
Cash received from grants and stimulus funding	1,601,860	4,621,512
Proceeds from line of credit	12,000,000	-
Payments on line of credit	-	(6,000,000)
Proceeds from QIP Loan	2,254,170	-
Net cash provided by noncapital financing activities	17,916,002	481,936
Cash flows from capital and related financing activities:		
Principal payments on debt	(1,199,016)	(24,538,866)
Proceeds from debt	-	22,491,911
Interest paid	(4,926,584)	(5,387,890)
Purchase of capital assets	(1,997,152)	(377,004)
Taxation for debt service	10,145,563	9,697,842
Other	-	(63,638)
Net cash provided by (used in) capital and related financing activities	2,022,811	1,822,355
Change in cash and cash equivalents	11,540,825	(9,932,097)
Cash and cash equivalents - Beginning of year	12,267,319	22,199,416
Cash and cash equivalents - End of year	\$ 23,808,144	\$ 12,267,319
Supplemental disclosure of noncash capital and related financing activities:		
Acquisition of assets under lease agreements	\$ 1,445,129	\$ -

San Geronio Healthcare District

Statements of Cash Flows (Continued)

<i>Years Ended June 30,</i>	2022	2021
Reconciliation of loss from operations to net cash used in operating activities:		
Loss from operations	\$ (15,170,428)	\$ (31,539,039)
Adjustments to reconcile loss from operations to net cash used in operating activities:		
Depreciation	5,667,801	6,427,719
Provision for bad debt	12,546,840	10,122,151
Change in assets and liabilities:		
Patient accounts receivable	(13,354,630)	(10,918,475)
Other accounts receivable	497,230	11,132,264
Estimated third-party payor settlements	2,713,755	(3,605,235)
Inventories	(52,908)	12,521
Prepaid expenses and other	(324,717)	267,098
Accounts payable	(480,641)	5,580,571
Accrued salary, payroll taxes, and benefits	1,680,287	741,150
Refundable advance	(2,120,577)	(457,113)
Total adjustments	6,772,440	19,302,651
Net cash used in operating activities	\$ (8,397,988)	\$ (12,236,388)

San Gorgonio Healthcare District

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Reporting Entity

San Gorgonio Healthcare District (the "District") was organized in 1944 under the terms of the Local Health Care District Law and is operated and governed by five elected directors. The District includes a 79-bed acute care facility that provides inpatient, outpatient, behavioral health, and emergency care services in Banning, California, and its surrounding area.

San Gorgonio Memorial Hospital (the "Hospital") is a nonprofit corporation and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Hospital provides healthcare services primarily to individuals who reside in the geographic boundaries of the District under a lease agreement with the District. The Hospital is governed by a nine-member Board of Directors. All of the District's Board members are also members of the Hospital's Board. For this reason, the Hospital is a blended component unit of the District.

Basis of Accounting

The accounting policies of the District conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to proprietary funds of governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body in the United States for establishing governmental accounting and financial reporting principles. The District's statements are reported using the economic resources measurement focus and full-accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when the liability is incurred, regardless of the timing of the cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue as soon as eligibility requirements have been met. Unbilled hospital services receivable are recorded at year-end.

Use of Estimates

The preparation of the accompanying financial statements in conformity with GAAP requires management to make estimates and assumptions that directly 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 amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates.

The District considers significant accounting estimates to be those which require significant judgments and include the valuation of patient accounts receivable, including contractual adjustments and allowance for uncollectible accounts and estimated third-party payor settlements.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with original maturity dates of three months or less. Cash and cash equivalents are carried at cost, which approximates fair value.

San Gorgonio Healthcare District

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Patient Accounts Receivable and Credit Policy

Patient accounts receivable are uncollateralized patient obligations that are stated at the amount management expects to collect from outstanding balances. These obligations are primarily from local residents, most of whom are insured under third-party payor agreements. The District bills third-party payors on the patients' behalf, or if a patient is uninsured, the patient is billed directly. Once claims are settled with the primary payor, any secondary insurance is billed, and patients are billed for copay and deductible amounts that are the patients' responsibility. Payments on patient accounts receivable are applied to the specific claim identified on the remittance advice or statement.

Patient accounts receivable are recorded in the accompanying statements of net position, net of contractual adjustments and allowances for doubtful accounts, which reflect management's estimate of the amounts that won't be collected. Management provides for contractual adjustments under terms of third-party reimbursement agreements through a reduction of net patient revenue and a credit to a contractual allowance. In addition, management provides for probable uncollectible amounts, primarily for uninsured patients and amounts patients are personally responsible for, through a reduction of net patient revenue and a credit to a valuation allowance.

In evaluating the collectibility of patient accounts receivable, the District analyzes past results and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. Specifically, for receivables associated with services provided to patients who have third-party coverage, the District analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely. For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the District records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

Property Taxes

The District received approximately 16.39% and 17.30% of its financial support from property taxes for the years ended June 30, 2022 and 2021, respectively.

Property taxes are levied by the District and collected by the Riverside County Treasurer for operations and debt service obligations. Taxes estimated to be collectible are recorded as revenue in the year of the levy. No allowance for doubtful taxes receivable is considered necessary. Taxes levied are recorded as nonoperating revenue. The taxes are levied on July 1 each year and are intended to finance the District's activities of the same fiscal year.

San Gorgonio Healthcare District

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Property Taxes (Continued)

Amounts levied are based on assessed property values as of September 30 each year.

Taxes levied to support operations and for debt service were \$12,205,535 and \$11,558,266, for the years ended June 30, 2022 and 2021, respectively.

Inventories

Inventories are valued at the lower of cost, determined on the first-in, first-out method, or net realizable value. Inventories consist of pharmaceutical, medical-surgical, and other supplies used in the operation of the District.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents include certain cash and other assets whose use is limited under debt instruments, by donors, and by grant and service contracts.

Capital Assets and Depreciation

Capital asset acquisitions exceeding \$5,000 are capitalized and recorded at cost. Expenditures for maintenance and repairs are charged to expense as incurred. Contributed capital assets are reported at their acquisition value at the time of their donation. All capital assets other than land are depreciated or amortized using the straight-line method of depreciation using these asset lives:

Land improvements	15 to 20 years
Buildings and building improvements	5 to 40 years
Equipment, computers, and furniture	3 to 20 years

Except for capital assets acquired through gifts, contributions, or capital grants, interest cost on borrowed funds during the period of construction is capitalized as a component of the cost of acquiring those assets.

Impairment of Long-Lived Assets

The District reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset and its fair value are less than the carrying amount of that asset.

San Gorgonio Healthcare District

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Outflows of Resources

In addition to assets, the statement of net position reports a separate section of deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future periods and so will not be recognized as an outflow of resources (expense) until then. The District has one item that qualifies for reporting in this category, the deferred charge on refunding reported in the statements of net position.

A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Bonds Payable

Premiums and discounts are deferred and amortized over the life of the debt using the effective interest method. Bonds Payable is reported net of the applicable premium or discount.

Compensated Absences

The District's employees earn paid time-off (PTO) benefits at varying rates depending on years of service and the number of hours worked. PTO benefits can accumulate up to specified maximum levels. Employees are paid for PTO accumulated benefits upon separation.

The District considers compensated absence liabilities to be a current liability of the District. These obligations are expected to be liquidated with current assets.

Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amount from patients, governmental programs, health maintenance, and preferred provider organizations and insurance contracts under applicable laws, regulations, and program instructions. Net realizable amounts are generally less than the District's established rates. Final determination of certain amounts payable is subject to audit by appropriate third-party representatives. Subsequent adjustments, if any, arising from such audits are recorded in the year the final settlement becomes known.

Operating Revenue and Expenses

The District's statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenue and expenses. Operating revenue results from exchange transactions associated with providing healthcare services, the District's principal activity. Nonexchange revenue, including grants, property taxes, and contributions received for purposes other than capital asset acquisition, is reported as nonoperating revenue. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs.

San Gorgonio Healthcare District

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Grants and Contributions

From time to time, the District receives grants from the federal government and the State of California as well as contributions from individuals and private organizations. Revenue from grants and contributions (including contributions of capital assets) is recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue in the year received.

Gifts, grants, and bequests restricted by donors for specific purposes are recorded as restricted net position and transferred to unrestricted net position when amounts are expended for their restricted purpose. When restricted funds are used for operations, these amounts are reflected in the statements of revenues, expenses, and changes in net position as other operating revenue.

Charity Care

The District provides care to patients who meet certain criteria under its charity care (financial assistance) policy without charge or according to a sliding scale based on income. The District maintains records to identify and monitor the level of charity care provided.

Net Position

Net position is reported in three categories:

Net investment in capital assets - This category consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build, acquire, or improve those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the construction, acquisition, or improvement of those assets or the related debt are also included in this category.

Restricted - This category consists of noncapital assets whose use is restricted, reduced by liabilities and deferred inflows of resources related to those assets. Net position is reported as restricted when there are limitations imposed on an asset's use through external restrictions imposed by creditors, donors, grantors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This category consists of the remaining net position that does not meet the definition of the two preceding categories.

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

San Geronio Healthcare District

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Reclassifications

Certain reclassifications have been made to the 2021 financial statements to conform to the 2022 presentation. The amounts of previously reported net position were unchanged by these reclassifications.

New Accounting Pronouncements

In June 2017, the GASB issued GASB Statement No. 87 - *Leases*. The statement enhances the relevance and consistency of reporting for the District's leasing activities by establishing requirements for lease accounting based on the principle that leases are financings of underlying right-of-use assets. A lessee is required to recognize a lease liability and intangible right-of-use lease asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources. The District adopted this guidance for the year ended June 30, 2022. The adoption of this guidance did not affect beginning net position for the year ended June 30, 2021, and, accordingly, restatement of beginning June 30, 2021 net position was not necessary. Ending June 30, 2021, net position decreased insignificantly by \$18,431 from \$(24,047,228) to \$(24,065,659).

Note 2: Cash and Cash Equivalents

The District maintains depository relationships with area financial institutions that are Federal Deposit Insurance Corporation (FDIC) insured institutions. Depository accounts are insured by the FDIC up to \$250,000 for demand deposits and an additional \$250,000 for time deposits per insured institution.

Credit risk - The risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is typically measured by the assignment of a rating by a nationally recognized statistical rating organization.

Concentration of credit risk - The inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party, caused by a lack of diversification (investments acquired from a single issuer).

Interest rate risk - The possibility that an interest rate change could adversely affect an investment's fair value.

Custodial credit risk - The risk that in the event of a bank failure the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk.

The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). 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 deposits by pledging first deed of mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits.

For the years ended June 30, 2022 and 2021, the District had a bank balance of \$25,993,096 and \$13,105,445, respectively.

San Geronio Healthcare District

Notes to Financial Statements

Note 2: Cash and Cash Equivalents (Continued)

Of this balance, \$1,750,000 was covered by federal deposit insurance, and \$13,620,148 and \$9,211,260 were collateralized (i.e., with securities held by the pledging financial institutions of at least 110% of the District's cash deposits, in accordance with the California Government Code), for the years ended June 30, 2022 and 2021, respectively.

Cash and cash equivalents consisted of the following:

<i>June 30,</i>	2022	2021
Demand deposits	\$ 23,798,868	\$ 12,258,143
Cash on hand	4,448	4,348
Local government investment pool	4,828	4,828
Total cash and cash equivalents	\$ 23,808,144	\$ 12,267,319

The composition of cash and cash equivalents consisted of the following:

<i>June 30,</i>	2022	2021
Current:		
Unrestricted cash and cash equivalents	\$ 9,995,092	\$ 2,395,672
Restricted for debt service	1,078,770	25,281
Noncurrent:		
Restricted for debt service, net of amount currently available for debt service	12,449,588	9,566,747
Unrestricted board designated	284,694	279,619
Totals	\$ 23,808,144	\$ 12,267,319

Restricted for Debt Service

County deposits held in trust for debt service payments.

Board-Designated Held-for-Capital Projects and Equipment

Capital project funds are funded with bond proceeds and consist of assets restricted to fund future construction of capital assets.

San Gorgonio Healthcare District

Notes to Financial Statements

Note 3: Patient Accounts Receivable - Net

Patient accounts receivable - net consisted of the following:

<i>June 30,</i>	2022	2021
Patient receivables:		
Medicare	\$ 7,869,219	\$ 23,731,821
Medicaid	17,356,678	10,978,470
Commercial and other	45,981,058	16,020,448
Self-pay	6,387,854	8,069,264
Total patient receivables	77,594,809	58,800,003
Less:		
Contractual adjustments	61,540,004	41,161,237
Allowance for uncollectible amounts	7,307,814	9,699,563
Patient accounts receivable - Net	\$ 8,746,991	\$ 7,939,203

Note 4: Patient Service Revenue

Patient service revenue consisted of the following:

<i>Years Ended June 30,</i>	2022	2021
Gross patient service revenue:		
Inpatient	\$ 199,279,419	\$ 111,976,457
Outpatient	251,181,109	143,204,184
Totals	450,460,528	255,180,641
Less:		
Contractual adjustments	365,311,906	189,688,665
Provision for bad debts	12,546,840	9,899,472
Net patient service revenue	\$ 72,601,782	\$ 55,592,504

San Gorgonio Healthcare District

Notes to Financial Statements

Note 5: Capital Assets

Capital assets consisted of the following:

	Balance July 1, 2021	Additions	Retirements	Transfers	Balance June 30, 2022
Nondepreciable capital assets:					
Land	\$ 881,760	\$ -	\$ -	\$ -	\$ 881,760
Construction in progress	291,446	1,402,562	-	-	1,694,008
Total nondepreciable capital assets	1,173,206	1,402,562	-	-	2,575,768
Depreciable capital assets:					
Land improvements	2,774,116	-	-	-	2,774,116
Buildings and improvements	122,335,676	-	-	-	122,335,676
Equipment	36,103,703	2,039,719	-	-	38,143,422
Total depreciable capital assets	161,213,495	2,039,719	-	-	163,253,214
Total capital assets before depreciation	162,386,701	3,442,281	-	-	165,828,982
Less accumulated depreciation	(83,578,358)	(5,667,801)	-	-	(89,246,159)
Capital assets - Net	\$ 78,808,343	\$ (2,225,520)	\$ -	\$ -	\$ 76,582,823

San Geronio Healthcare District

Notes to Financial Statements

Note 5: Capital Assets (Continued)

	Balance July 1, 2020	Additions	Retirements	Transfers	Balance June 30, 2021
Nondepreciable capital assets:					
Land	\$ 881,760	\$ -	\$ -	\$ -	\$ 881,760
Construction in progress	116,444	175,002	-	-	291,446
Total nondepreciable capital assets	998,204	175,002	-	-	1,173,206
Depreciable capital assets:					
Land improvements	2,774,116	-	-	-	2,774,116
Buildings and improvements	122,335,676	-	-	-	122,335,676
Equipment	35,901,701	202,002	-	-	36,103,703
Total depreciable capital assets	161,011,493	202,002	-	-	161,213,495
Total capital assets before depreciation	162,009,697	377,004	-	-	162,386,701
Less accumulated depreciation	(77,642,460)	(5,935,898)	-	-	(83,578,358)
Capital assets - Net	\$ 84,367,237	\$ (5,558,894)	\$ -	\$ -	\$ 78,808,343

The District recorded an impairment loss of \$0 and \$7,800 for the years ended June 30, 2022 and 2021, respectively, related to the write-off of a defunct tower project. This impairment loss is also recorded in the statement of revenues, expenses, and changes in net position.

Construction in progress (CIP) at June 30, 2022, consisted of costs incurred to create a stroke center and capital equipment. Management estimates projects included in CIP at June 30, 2022, will be completed by July 2023 with estimated remaining costs to complete of approximately \$7,680,000, of which management expects approximately \$5,580,000 to be funded by grant and donation income.

San Gorgonio Healthcare District

Notes to Financial Statements

Note 5: Capital Assets (Continued)

Intangible right-of-use equipment included in capital assets - net, consisted of the following:

	Balance June 30, 2021	Additions	Retirements	Transfers	Balance June 30, 2022
Intangible right-of-use assets:					
Equipment	\$ 1,423,383	\$ 1,745,129	\$ -	\$ -	\$ 3,168,512
Less accumulated depreciation	(491,071)	(536,570)	-	-	(1,027,641)
Intangible right-of-use assets - Net	\$ 932,312	\$ 1,208,559	\$ -	\$ -	\$ 2,140,871

	Balance July 1, 2020	Additions	Retirements	Transfers	Balance June 30, 2021
Intangible right-of-use assets:					
Equipment	\$ 1,423,383	\$ -	\$ -	\$ -	\$ 1,423,383
Less accumulated depreciation	(491,071)	-	-	-	(491,071)
Intangible right-of-use assets - Net	\$ 932,312	\$ -	\$ -	\$ -	\$ 932,312

San Gorgonio Healthcare District

Notes to Financial Statements

Note 6: Long-Term Debt Obligations

Long-term debt obligations consisted of the following:

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Amounts Due Within One Year
Long-term debt-					
Direct placements:					
GO Refunding Bonds 2014	\$ 58,905,000	\$ -	\$ (1,375,000)	\$ 57,530,000	\$ 1,515,000
GO Refunding Bonds 2015	23,550,000	-	(530,000)	23,020,000	600,000
GO Refunding Bonds 2020	20,275,000	-	(735,000)	19,540,000	715,000
Revenue Bonds 2021	315,000	2,000,000	(21,652)	2,293,348	87,257
QIP Bridge Loan	-	2,254,170	(22,542)	2,231,628	-
Premium - 2020 Series	1,901,911	-	(10,459)	1,891,452	-
Premium - 2014 Series	3,064,920	-	(160,908)	2,904,012	-
Premium - 2015 Series	469,061	-	(45,622)	423,439	-
Total long-term debt	\$ 108,480,892	\$ 4,254,170	\$ (2,901,183)	\$ 109,833,879	\$ 2,917,257

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Amounts Due Within One Year
Long-term debt-					
Direct placements:					
GO Refunding Bonds 2013	\$ 22,395,000	\$ -	\$ (22,395,000)	\$ -	\$ -
GO Refunding Bonds 2014	60,150,000	-	(1,245,000)	58,905,000	1,375,000
GO Refunding Bonds 2015	24,020,000	-	(470,000)	23,550,000	530,000
GO Refunding Bonds 2020	-	20,275,000	-	20,275,000	735,000
Revenue Bonds 2021	-	315,000	-	315,000	-
Premium - 2020 Series	-	1,901,911	-	1,901,911	-
Premium - 2013 Series	231,921	-	(231,921)	-	-
Premium - 2014 Series	3,234,409	-	(169,489)	3,064,920	-
Premium - 2015 Series	496,517	-	(27,456)	469,061	-
Total long-term debt	\$ 110,527,847	\$ 22,491,911	\$ (24,538,866)	\$ 108,480,892	\$ 2,640,000

San Geronio Healthcare District

Notes to Financial Statements

Note 6: Long-Term Debt Obligations (Continued)

The terms of the District's long-term obligations are as follows:

Direct placements:

- General Obligation Refunding Bonds, Series 2013; principal due each August 1 at various amounts through August 1, 2036; interest is fixed with coupon rates ranging from 3.25%-5.00%, sold at a premium with an initial true interest yield of 3.73%, due semiannually each August 1 and February 1; collateralized by ad valorem property tax revenue.
- General Obligation Refunding Bonds, Series 2014; principal due each August 1 at various amounts through August 1, 2039; interest is fixed with coupon rates ranging from 3.00%-5.25%, sold at a premium with an initial true interest yield of 4.49%, due semiannually each August 1 and February 1; collateralized by ad valorem property tax revenue.
- General Obligation Refunding Bonds, Series 2015; principal due each August 1 at various amounts through August 1, 2038; interest is fixed with coupon rates ranging from 3.00%-5.00%, sold at a premium with an initial true interest yield of 3.73%, due semiannually each August 1 and February 1; collateralized by ad valorem property tax revenue.
- General Obligation Refunding Bonds, Series 2020; principal due each August 1 at various amounts through August 1, 2029; interest is fixed with coupon rates ranging from 2.00%-4.00%, sold at a premium with an initial true interest yield of 2.70%, due semiannually each August 1 and February 1; collateralized by ad valorem property tax revenue.
- Revenue Bonds, Series 2021; principal due each April 1 and October 1 at various amounts through April 1, 2042; interest is fixed at 3%, due semiannually each April 1 and October 1; collateralized by revenues of the district. The total advances of the Revenue Bonds are not to exceed \$2,350,000 and were \$315,000 at June 30, 2021.
- Quality Improvement Program (QIP) loan; During the year ended June 30, 2022, the District entered into a loan agreement with California Health Facilities Financing Authority (CHFFA) for a maximum amount of \$2,852,500 with interest at 0% for operational financing of an ongoing activities. The outstanding principal balance at June 30, 2022 was \$2,231,628. The CHFFA loan matures during February 2024 with no payments due until that time and is secured by an interest in the District's future Medi-Cal payments.

San Gorgonio Healthcare District

Notes to Financial Statements

Note 6: Long-Term Debt Obligations (Continued)

Scheduled principal and interest payments on long-term obligation are as follows:

<i>Years Ending June 30,</i>	Direct Placements		
	Principal	Interest	Total
2023	\$ 2,917,257	\$ 7,270,600	\$ 10,187,857
2024	5,446,523	7,421,625	12,868,148
2025	3,527,611	7,575,250	11,102,861
2026	3,835,410	7,738,250	11,573,660
2027	4,193,294	3,894,838	8,088,132
2028-2032	26,532,874	16,337,464	42,870,338
2033-2037	37,894,224	16,831,640	54,725,864
2038-2042	20,267,783	1,409,000	21,676,783
Totals	\$ 104,614,976	\$ 68,478,667	\$ 173,093,643

Bond premium amortization in the amount of \$216,989 and \$428,866 was recognized for the years ended June 30, 2022 and 2021, respectively. The annual amortization of the bond premium will result in reductions in interest expense as follows:

<i>Years Ending June 30,</i>	
2023	\$ 236,536
2024	258,113
2025	281,582
2026	302,529
2027	269,223
2028-2032	1,491,500
2032-2037	1,996,574
2038-2042	382,846
Totals	\$ 5,218,903

San Gorgonio Healthcare District

Notes to Financial Statements

Note 7: Leases

Changes in leases payable consisted of the following:

<i>Year Ended June 30, 2022</i>	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022	Amounts due Within One Year
Abbott Laboratories	\$ 91,517	\$ -	\$ (26,256)	\$ 65,261	\$ 27,325
Intouch Robots	48,689	-	(28,035)	20,654	20,655
Olympus America	48,891	-	(48,891)	-	-
Roosevelt LP	299,960	-	(81,797)	218,163	88,794
TIAA Bank	5,956	-	(1,608)	4,348	1,674
Shared Imaging	457,166	-	(257,809)	199,357	199,356
Intuitive Surgical	-	1,445,129	(70,426)	1,374,703	270,757
Leases payable	\$ 952,179	\$ 1,445,129	\$ (514,822)	\$ 1,882,486	\$ 608,561

<i>Year Ended June 30, 2021</i>	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Amounts due Within One Year
Abbott Laboratories	\$ 117,134	\$ -	\$ (25,617)	\$ 91,517	\$ 26,256
Intouch Robots	75,982	-	(27,293)	48,689	28,035
Olympus America	138,276	-	(89,385)	48,891	48,891
Roosevelt LP	376,285	-	(76,325)	299,960	81,797
TIAA Bank	7,526	-	(1,570)	5,956	1,608
Shared Imaging	708,179	-	(251,013)	457,166	257,809
Leases payable	\$ 1,423,382	\$ -	\$ (471,203)	\$ 952,179	\$ 444,396

The terms of the District's leases payable are as follows:

- Abbott Laboratories - Lease agreement dated October 19, 2019, in the original principal amount of \$117,134, due in monthly installments of \$2,453, including interest imputed at 4.0%, through October 2024, collateralized by leased asset.
- Intouch Robots - Lease agreement dated March 18, 2020, in the original principal amount of \$75,982, due in monthly installments of \$2,441, including interest imputed at 4.0%, through March 2023, collateralized by leased asset.
- Olympus America - Lease agreement dated December 5, 2018, in the original principal amount of \$138,275, due in monthly installments of \$7,699, including interest imputed at 3.5%, through January 2022, collateralized by leased asset.

San Geronio Healthcare District

Notes to Financial Statements

- Roosevelt LP - Lease agreement dated May 14, 2019, in the original principal amount of \$376,285, due in monthly installments of \$7,194, including interest imputed at 4.0%, through October 2024, collateralized by leased asset.
- TIAA Bank - Lease agreement dated January 7, 2020, in the original principal amount of \$7,526, due in monthly installments of \$151, including interest imputed at 4.0%, through January 2025, collateralized by leased asset.
- Shared Imaging - Lease agreement dated March 19, 2018, in the original principal amount of \$708,179, due in monthly installments of \$22,475, including interest imputed at 3.5%, through March 2023, collateralized by leased asset.
- Intuitive Surgical - Lease agreement dated November 3, 2021, in the original principal amount of \$1,745,129, due in monthly installments of \$26,213, including interest imputed at 3.5%, through March 2027, collateralized by leased asset.

Future minimum lease payments consist of the following:

<i>Years Ending June 30,</i>	Principal	Interest
2023	\$ 608,561	\$ 56,391
2024	406,643	38,686
2025	334,083	24,563
2026	300,687	13,869
2027	232,512	3,404
Totals	\$ 1,882,486	\$ 136,913

Note 8: Line of Credit

The District maintains a line of credit dated January 7, 2021, with First Foundation Public Finance Trust in the amount of \$12,000,000 with interest at 5.25% at June 30, 2022. The line of credit expires on January 6, 2023. The line of credit had a balance of \$12,000,000 and \$0 at June 30, 2022 and 2021, respectively. The line of credit is collateralized by receivables and capital assets.

Note 9: Intergovernmental Transfer Program

The District participates in the intergovernmental transfer (IGT) program and other related supplemental programs sponsored by the State of California for the state's local healthcare districts. These programs are an integral part of the overall Quality Assurance Fee programs, supported by funding from the federal government. IGT and related program revenue, net of related expenses, was \$11,537,242 and \$10,436,480 for the years ended June 30, 2022 and 2021, respectively, and is recorded as a reduction to contractual adjustments in the statements of revenues, expenses, and changes in net position.

San Gorgonio Healthcare District

Notes to Financial Statements

Note 10: Charity Care

The District provides healthcare services and other financial support through various programs that are designed to enhance the health of the community, including the health of low-income patients. Consistent with the mission of the District, care is provided to patients regardless of their ability to pay, including providing services to those persons who cannot afford health insurance because of inadequate resources.

Patients who meet certain criteria for charity care, generally based on federal poverty guidelines, are provided care based on criteria defined in the District's charity care policy. The District maintains records to identify and monitor the level of charity care it provides.

Gross charges related to patients under the District's charity care policy were \$1,635,568 and \$496,340 during the years ended June 30, 2022 and 2021, respectively, and were not included in patient service revenue because there is no effort to collect these charges.

Note 11: Retirement Plan

The District offers a tax-sheltered annuity (TSA) program covering substantially all employees with at least 90 days of service. Matching contributions are made at the discretion of the District's management and are based on a percentage of gross salary. District contributions to the TSA program were \$1,755,675 and \$1,503,101 during the years ended June 30, 2022 and 2021, respectively.

Note 12: Risk Management

Liability Insurance

The District has its professional liability insurance coverage with Beta Risk Management Authority ("Beta"). The policy provides protection on a "claims made" basis whereby malpractice claims related to services provided in the current year are covered by the current policy.

Coverage is provided a policy with limits of \$20,000,000 for each medical incident and a \$30,000,000 annual aggregate limit. The policy includes a deductible of \$25,000 per incident.

Under a claims-made policy, the risk for claims and incidents not asserted within the policy period remains with the District. The District does not believe potential claims are significant and, accordingly, has not provided a reserve for potential claims from services provided to patients through June 30, 2022, that have not yet been asserted.

San Gorgonio Healthcare District

Notes to Financial Statements

Note 12: Risk Management (Continued)

The District is also exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; data breaches; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for these risks of loss. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three years.

Contingent Liabilities

In September 2022, the District reached a settlement with the plaintiffs in a class action matter, which was asserted prior to June 30, 2022. As a result, \$3,417,500 has been accrued for legal losses at June 30, 2022, in order to reflect them amount of the settlement agreed upon by the parties to the matter. Because the transaction is both unusual in nature and infrequent in occurrence, the outflow of resources associated with the payment of the settlement has been reported as an extraordinary item on the statements of revenues, expenses, and changes in net position.

Additionally, the District is a defendant in a legal matter wherein the plaintiff is seeking in damages for breach of contract. The District intends to vigorously defend itself in this matter. Although a loss is reasonably possible, it is not possible to reasonably estimate the amount of any obligation that would be material to the District's financial statements at November 22, 2022.

Note 13: Concentration of Credit Risk

Financial instruments that potentially subject the District to credit risk consist principally of patient and resident accounts receivable. Patient accounts receivable consist of amounts due from patients, their insurers, or governmental agencies (primarily Medicare and Medicaid) for healthcare provided to the patients.

The mix of receivables from patients, residents, and third-party payors consisted of the following:

<i>June 30,</i>	2022	2021
Medicare	11 %	40 %
Medicaid	22 %	21 %
Other third-party payors	59 %	27 %
Self-pay	8 %	12 %
Totals	100 %	100 %

San Gorgonio Healthcare District

Notes to Financial Statements

Note 14: Reimbursement Arrangements With Third-Party Payors

Agreements are maintained with third-party payors that provide for reimbursement at amounts which vary from its established rates. A summary of the basis of reimbursement with major third-party payors follows:

Medicare - Inpatient hospital acute care services provided by the District are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient and other services are reimbursed primarily on a prospective payment methodology based upon a patient classification system or fixed fee schedules. Cost reimbursed items include bad debts and physician residency costs.

Medicaid - Inpatient and outpatient services are reimbursed primarily based upon prospectively determined rates.

Other payors - The District has entered into payment agreements with commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates per discharge, discounts from established charges, fee schedules, and prospectively determines daily rates.

Note 15: Beneficial Interest in Assets Held by San Gorgonio Hospital Foundation

San Gorgonio Hospital Foundation, Inc. (the "Foundation") was established to solicit contributions for the District and to support healthcare services in the geographical areas of Banning and Beaumont, California. The Foundation has a Board of Directors separate from the District, but exists primarily to support the District. The Foundation contributed \$72,889 and \$551,194 during the years ended June 30, 2022 and 2021, respectively.

The District records its interest in the net assets of the Foundation, assets that have been collected by the Foundation but not yet distributed to the District as of the end of each fiscal year. The District recorded \$409,634 and \$551,194 at June 30, 2022 and 2021, respectively, as interest in the net assets of the Foundation in the statements of net position.

Note 16: COVID-19 Relief Funds and Grant Revenue

During the years ended June 30, 2022 and 2021, the District received \$1,601,860 and \$4,621,512, respectively, in grant funding from the HHS Provider Relief Fund (PRF), which was established as a result of the CARES Act. Based on the terms and conditions of the grant, the District earns the grant by incurring healthcare-related expenses attributable to COVID-19 that another source has no reimbursed and is not obligated to reimburse or by incurring lost revenues, defined as a negative change in year-over-year net patient service revenue. During the years ended June 30, 2022 and 2021, the District recognized \$1,601,860 and \$4,621,512, respectively, in revenue related to this program which reflects management's estimate of the amount of the grant earned, including consideration for uncertainties related to reporting guidance still developing as of the date the financial statements were available to be issued.

San Geronio Healthcare District

Notes to Financial Statements

Note 17: Medicare Refundable Advance

As a result of the COVID-19 pandemic, CMS offered an accelerated and advance payment program that gave healthcare providers the opportunity to receive an advance on future Medicare payments. The District received a non-interest-bearing Medicare Refundable Advance of \$2,577,690 during the year ended June 30, 2020.

The balance of the Medicare Refundable Advance liability was \$0 and \$2,120,577 at June 30, 2022 and 2021, respectively.

Note 18: Condensed Financial Information for Component Units

The following is condensed financial information rounded to the nearest thousand for the blended component unit of the District:

Condensed statements of net position - Blended component unit - Hospital

<i>June 30, (in thousands)</i>	2022	2021
Assets:		
Current assets	\$ 20,237	\$ 12,524
Noncurrent assets	2,563	1,491
Total assets	\$ 22,800	\$ 14,015
Liabilities:		
Current liabilities	\$ 53,862	\$ 36,062
Noncurrent liabilities	3,506	508
Total liabilities	57,368	36,570
Net position	(34,568)	(22,555)
Total liabilities and net position	\$ 22,800	\$ 14,015

San Gorgonio Healthcare District

Notes to Financial Statements

Note 18: Condensed Financial Information for Component Units (Continued)

Condensed statements of revenues, expenses, and changes in net position - Blended component unit - Hospital

<i>Years Ended June 30, (in thousands)</i>	2022	2021
Operating revenue	\$ 74,229	\$ 57,101
Operating expenses	83,792	81,929
Loss from operations	(9,563)	(24,828)
Nonoperating revenue (expense)	968	4,145
Decrease in net position	(8,595)	(20,683)
Legal settlement loss	(3,418)	-
Net Position - Beginning of year	(22,555)	(1,872)
Net position - End of year	\$ (34,568)	\$ (22,555)

Condensed statements of cash flows - Blended component unit - Hospital

<i>Years Ended June 30, (in thousands)</i>	2022	2021
Cash flows from operating activities	\$ (5,796)	\$ (5,237)
Cash flows from noncapital financing activities	14,232	(2,011)
Cash flows from capital and related financing activities	(853)	(506)
Change in cash and cash equivalents	7,583	(7,754)
Cash and cash equivalents - Beginning of year	1,640	9,394
Cash and cash equivalents - End of year	\$ 9,223	\$ 1,640

Note 19: Subsequent Events

On September 14, 2022, the District issued \$9,175,000 of 8.0% revenue bonds for the purpose of providing working capital for the District. These revenue bonds are payable in equal semi-annual installments of \$465,462 through October 1, 2042, and are secured by a pledge of the District's general purpose operating ad valorem property tax revenues.

Supplementary Information

San Gorgonio Healthcare District

Combining Statement of Net Position

<i>June 30, 2022</i>	Hospital	District	Eliminations	Total
Current assets:				
Cash and cash equivalents:				
Unrestricted	\$ 9,222,965	\$ 772,127	\$ -	\$ 9,995,092
Restricted, available for current debt service	-	1,078,770	-	1,078,770
Receivables:				
Patient accounts - net	8,746,991	-	-	8,746,991
Other accounts	217,810	22,012,750	(20,712,680)	1,517,880
Inventories	1,829,462	-	-	1,829,462
Prepaid expenses and other	220,033	126,169	-	346,202
Total current assets	20,237,261	23,989,816	(20,712,680)	23,514,397
Noncurrent assets:				
Capital assets - Nondepreciable	-	2,575,768	-	2,575,768
Capital assets - Net of accumulated depreciation	2,140,871	71,866,184	-	74,007,055
Cash and cash equivalents - Restricted, net of amount available for current debt service	-	12,449,588	-	12,449,588
Cash and cash equivalents - Board designated	11,894	272,800	-	284,694
Beneficial interest in the net assets of San Gorgonio Hospital Foundation	409,634	-	-	409,634
Total noncurrent assets	2,562,399	87,164,340	-	89,726,739
Deferred outflows of resources - Loss on bond refunding	-	605,217	-	605,217
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 22,799,660	\$ 111,759,373	\$ (20,712,680)	\$ 113,846,353

San Gorgonio Healthcare District

Combining Statement of Net Position (Continued)

<i>June 30, 2022</i>	Hospital	District	Eliminations	Total
Current liabilities:				
Current portion of long-term debt	\$ -	\$ 2,917,257	\$ -	\$ 2,917,257
Accounts payable	29,742,090	1,387,028	(20,712,680)	10,416,438
Accrued salary, payroll taxes, and benefits	6,546,139	-	-	6,546,139
Estimated third-party payor settlements	1,543,868	-	-	1,543,868
Current portion of leases payable	608,561	-	-	608,561
Legal settlement payable	3,417,500	-	-	3,417,500
Line of credit	12,000,000	-	-	12,000,000
Legal settlement	3,417,500	-	-	3,417,500
Accrued interest	4,010	1,925,911	-	1,929,921
Total current liabilities	53,862,168	6,230,196	(20,712,680)	39,379,684
Noncurrent liabilities:				
Long-term debt, less current portion	-	5,218,903	-	5,218,903
Leases payable, less current portion	1,273,925	-	-	1,273,925
Bonds and notes payable, less current portion	2,231,628	99,466,091	-	101,697,719
Total noncurrent liabilities	3,505,553	104,684,994	-	108,190,547
Total liabilities	57,367,721	110,915,190	(20,712,680)	147,570,231
Net position:				
Net investment in capital assets	866,946	(30,243,042)	-	(29,376,096)
Restricted	-	13,528,358	-	13,528,358
Unrestricted	(35,435,007)	17,558,867	-	(17,876,140)
Total net position	(34,568,061)	844,183	-	(33,723,878)
TOTAL LIABILITIES AND NET POSITION	\$ 22,799,660	\$ 111,759,373	\$ (20,712,680)	\$ 113,846,353

San Gorgonio Healthcare District

Combining Statement of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2022	Hospital	District	Eliminations	Total
Operating revenue:				
Net patient service revenue	\$ 72,601,782	\$ -	-	\$ 72,601,782
Other operating revenue	1,627,539	227,933	-	1,855,472
Total operating revenue	74,229,321	227,933	-	74,457,254
Operating expenses:				
Salaries and wages	40,816,267	-	-	40,816,267
Employee benefits	9,967,192	-	-	9,967,192
Legal and professional fees	3,867,786	163,198	-	4,030,984
Contract labor	1,256,177	-	-	1,256,177
Supplies	11,847,237	-	-	11,847,237
Utilities	1,312,180	-	-	1,312,180
Purchased services	5,937,340	137,962	-	6,075,302
Building and equipment rent	460,787	-	-	460,787
Depreciation	536,570	5,131,231	-	5,667,801
Other operating expense	7,790,754	403,001	-	8,193,755
Total operating expenses	83,792,290	5,835,392	-	89,627,682
Loss from operations	(9,562,969)	(5,607,459)	-	(15,170,428)
Non operating revenue (expense):				
Taxes	-	12,205,535	-	12,205,535
Grants, contributions, and other nonoperating revenue	1,376,645	83,654	-	1,460,299
Interest expense	(408,970)	(4,327,155)	-	(4,736,125)
Total nonoperating revenue - Net	967,675	7,962,034	-	8,929,709
Deficit in revenue over expenses	(8,595,294)	2,354,575	-	(6,240,719)
Legal settlement loss	(3,417,500)	-	-	(3,417,500)
Decrease in net position	(12,012,794)	2,354,575	-	(9,658,219)
Net position - Beginning of year	(22,555,267)	(1,510,392)	-	(24,065,659)
Net position - End of year	\$ (34,568,061)	\$ 844,183	\$ -	\$ (33,723,878)

San Geronio Healthcare District

Schedule of Expenditures of Federal Awards

<i>Year Ended June 30, 2022</i>	Contract Number	Federal Assistance Listing Number	Federal Expenditures
Direct Programs:			
COVID 19 - Provider Relief Funds	N/A	\$ 93.498	\$ 2,800,000
Total U.S. Department of Health and Human Services			2,800,000
Total expenditures of federal awards			\$ 2,800,000

See accompanying notes to schedule of expenditures of federal awards.

San Gorgonio Healthcare District

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2022

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of San Gorgonio Healthcare District (the "District"). The information in this SEFA is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200 - *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the schedule presents only a selected portion of the operations of the District, it is not intended and does not present the financial position, changes in net position, or cash flows of the District.

Note 2: Summary of Significant Accounting Policies

With the exception of expenditures related to the Provider Relief Fund (PRF), expenditures on the SEFA are reported on the accrual basis of accounting and are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The PRF is not subject to cost principles requirements contained in the Uniform Guidance. Expenditures reported on the the SEFA for PRF are based on the PRF period of availability, terms and conditions of the PRF program, and amounts reported in the PRF portal for the reporting period 2, due March 31, 2022.

Note 3: Indirect Cost

The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4: Subrecipients

The District passed no federal awards through to subrecipients.

Independent Auditor's 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*

Board of Directors
San Geronio Healthcare District
Banning, California

We have audited, 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, the financial statements of San Geronio Healthcare District (the "District") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which comprise the statements of net position as of June 30, 2022, 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 November 22, 2022.

Auditor's Responsibility

In planning and performing our audit of the financial statements, 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 opinions 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 deficiencies, significant deficiencies, or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control that we consider to be a significant deficiency, which is described in the accompanying schedule of findings and questioned costs as finding 2022.001.

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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP
Oakland, California
November 22, 2022

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Directors
San Geronio Healthcare District
Banning, California

Report on Compliance for Each Major Federal and State Program

Opinion on the Major Federal Program

We have audited San Geronio Healthcare District's (the "District") compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2022. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for the major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal program.

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, *material weaknesses or significant deficiencies in internal control over compliance* may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over-compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Wipfli LLP".

Wipfli LLP
Oakland, California
November 22, 2022

San Gorgonio Healthcare District

Schedule of Findings and Questioned Costs

Year Ended June 30, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported

Noncompliance material to financial statements noted?

Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

Yes No

Identification of major programs

<u>CFDA Number(s)</u>	<u>Federal Program or Cluster</u>
93.498	COVID 19 - Provider Relief Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?

Yes No

San Geronio Healthcare District

Schedule of Findings and Question Costs (Continued)

Year Ended June 30, 2022

Section II - Financial Statement Finding

Finding 2022.001 – Internal Control Over Account Reconciliation Process

Condition: The District's internal control over preparation of the financial statements includes review and approval of key account reconciliations, including cash deposits. It is the responsibility of management to design procedures to ensure timely and meaningful approvals of account reconciliations. Because there were instances when reconciliations were not being approved or approvals were not being documented, a significant deficiency exists in the District's internal controls.

Criteria: Government Auditing Standards considers the lack of evidence of account reconciliations, including sufficient reviews and approvals, to be a significant deficiency in internal controls.

Cause: As with many organizations, the turnover experienced in key accounting positions and existing resources being limited create an environment where internal control deficiencies can exist.

Effect: The accuracy of the cash balances on the financial statements and related disclosures and the accuracy of the overall financial presentation can be negatively impacted, since there is a level of review missing for the cash cycle.

Repeat: Yes, 2021.001

Recommendations: We recommend management and those charged with governance continue to evaluate the degree of risk associated with this condition and implement a review process that includes meaningful review of each cash account reconciliation.

Views of Responsible Officials and Planned Corrective Actions: Management has indicated an approach to correcting this deficiency that involves bringing additional staff into the process, as well as retaining outside consultants for the purposes of staff training and to improve the control environment. Temporary staffing was brought in for special reporting needed for COVID-19 and for the system conversion, but time constraints prevented this assistance for regular key reconciliations. Throughout the year, a daily cash report was maintained by staff other than those who processed payables and made payments, so there was a degree of separation to ensure control. Regular reports were made to the CEO and new CFO regarding deficiencies in reporting and status updates as to where the staffing requirements were and what was needed. In the new fiscal year (2022), an accounts payable position and a staff accountant have been added. Duty separations have been reviewed and revised to ensure maximum compliance even though staffing is minimal. Cross-training has started to ensure coverage of all duties. Multiple checks and balances are being established, with the CFO taking a more active role in verifying information and establishing controls over the division of duties. Multiple checklists have been enacted to track accuracy and completeness of the financial standings for the District.

Section III - Federal Award Findings - None reported.

San Geronio Healthcare District

Schedule of Prior Year Audit Findings

Year Ended June 30, 2022

Finding 2021.001 – Internal Control Over Account Reconciliation Process

Repeated as finding 2022.001.

November 22, 2022

Board of Directors
San Geronio Healthcare District
600 North Highland Springs Avenue
Banning, CA 92220

Dear Directors:

We have audited the financial statements of San Geronio Healthcare District (the "District") and for the year ended June 30, 2022, and have issued our report thereon dated November 22, 2022. Professional standards require that we provide you with the following information related to our audit:

[Our Responsibility Under Auditing Standards Generally Accepted in the United States and *Government Auditing Standards*](#)

As stated in our engagement letter dated August 23, 2022, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

[Planned Scope and Timing of the Audit](#)

We performed the audit according to the planned scope, timing, and with respect to significant risks identified by us, all of which were previously communicated to your representatives, Susan DiBiasi and Dennis Tankersley, communicated in our letter dated August 24, 2022, in addition to our engagement letter dated August 23, 2022, accepted by Steve Barron.

[Significant Audit Matters](#)

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. As described in Note 1, the District changed accounting policies related to accounting and disclosure of leases by adopting GASB Statement No. 87 - *Leases*, during the year ended June 30, 2022.

Accordingly, the accounting change has been retrospectively applied to prior periods presented based on the facts and circumstances which existed as of the earliest period presented.

We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- The adequacy of the allowance for accounts receivable is one of the most subjective estimates affecting the financial statements. The allowance for accounts receivable is maintained at a level that management believes is adequate to provide for possible write-offs. Management periodically evaluates the adequacy of the allowance using the District's past bad debt experience, known and inherent risks in accounts receivable, current economic conditions, and other relevant factors. We evaluated the key factors and assumptions used to develop the allowance for accounts receivable in determining that it is reasonable in relation to the financial statements taken as a whole.
- The estimated final settlements on the Medicare cost reports are based on audits conducted by the fiscal intermediary. Management periodically evaluates the adequacy of the balance using the District's experience, known and inherent risks in the preparation of these cost reports, and risks associated with doing business in the healthcare industry. We reviewed the estimated settlements recorded for each open year to determine the reasonableness of the estimates based on the results of previous audits by the fiscal intermediary.
- The portion of Provider Relief Funds, allocated by the CARES Act and administered by the Department of Health and Human Services (HHS), recognized in revenue. The estimated amount recorded as revenue is based on the most current guidance for the recognition of lost revenues provided by HHS at November 22, 2022.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of risk management in Note 12 to the financial statements describes legal matters which existed at June 30, 2022.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We proposed and the District recorded a number of adjusting journal entries. The attached schedule summarizes misstatements of the financial statements proposed and accepted by management.

Disagreements With Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 22, 2022, a copy of which accompanies this letter.

Management Consultations With Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not, in our judgment, a condition of our retention.

Other Matters

Supplementary Information Accompanying Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements.

We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Other Information in Documents Containing Audited Financial Statements

The auditor's responsibility for other information in documents containing audited financial statements does not extend beyond the financial information identified in our report, and we have no obligation to perform any procedures to corroborate other information contained in a document. Our responsibility is to read the other information and consider whether such information, or the manner of its presentation, is materially inconsistent with information, or the manner of its presentation, appearing in the financial statements.

This communication is intended solely for the information and use of the board of directors and, if appropriate, management and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate the opportunity to be of service to San Geronio Healthcare District.

Sincerely,

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, slightly slanted style.

Wipfli LLP
Oakland, California

Enc.



November 22, 2022

Wipfli LLP
66 Franklin Street, Suite 300
Oakland, California, 95612

This representation letter is provided in connection with your audits of the financial statements of San Gorgonio Healthcare District (the District) and its blended component unit, which comprise the statements of net position as of June 30, 2022 and 2021, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects in accordance with accounting principles generally accepted in the United States (GAAP).

This representation letter is also provided in connection with your audit of the federal award programs of the District as of and for the year ended June 30, 2022 which was performed in accordance with auditing standards generally accepted in the United States; Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the standards for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

We understand that the purpose of your testing of transactions and records from the District's federal programs was to obtain reasonable assurance that the District had complied, in all material respects, with the compliance requirements that could have a direct and material effect on each of its major programs.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief as of date of this letter, the following representations made to you during your audits.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated August 23, 2022, including our responsibility for the preparation and fair presentation of the financial statements in accordance with GAAP.
2. The financial statements referred to above are fairly presented in conformity with GAAP.
3. We acknowledge our responsibility 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.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of GAAP.
7. All events subsequent to the date of the financial statements and for which GAAP requires adjustment or disclosure have been adjusted or disclosed.
8. We agree with the adjusting journal entries proposed by you and which are given effect to in the financial statements.
9. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with GAAP.
10. Material concentrations have been properly disclosed in accordance with GAAP.
11. Guarantees, whether written or oral, under which the District is contingently liable, have been properly recorded or disclosed in accordance with GAAP.
12. We acknowledge our responsibility as it relates to the following nonattest/nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services.
 - a. Prepared the draft financial statements and related notes and prepared the Schedule of expenditures of federal awards (the "SEFA"). We have reviewed, approved, and accepted responsibility for the financial statements and related notes and the SEFA.
 - b. Tax return preparation
 - c. AB-915 Supplemental payment report preparation
 - d. Cost report preparation for third party payors (S-10, Medicare, T-18, others)
 - e. Lease consulting
 - f. Other reimbursement consulting
 - g. RHC Medi-Cal PPS reconciliation

Information Provided

1. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the District from who you determined it necessary to obtain audit evidence.
 - d. Minutes of the meeting of the governing board or summaries of actions of recent meetings for which minutes have not yet been prepared.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any fraud or suspected fraud affecting the District involving:
 - a. Management.
 - b. Employees who have significant roles in internal control.
 - c. Others where the fraud could have a material effect on the financial statements.
5. We have no knowledge of any allegations of fraud or suspected fraud affecting the District's financial statements communicated by employees, former employees, grantors, regulators, or others.
6. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws, regulations, and provisions of contracts and grant agreements applicable to us whose effects should be considered when preparing financial statements. Specifically:
 - a. There are no violations or possible violations of laws or regulations, such as those related to the Medicare and Medicaid antifraud and abuse statutes, including but not limited to the Medicare and Medicaid Anti-Kickback Statute, Limitations on Certain Physician Referrals (the Stark law), and the False Claims Act, in any jurisdiction, whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency other than those disclosed or accrued in the financial statements.

- b. Billings to third-party payors comply in all material respects with applicable coding guidelines (for example, ICD-10-CM and CPT-4) and laws and regulations (including those dealing with Medicare and Medicaid antifraud and abuse), and billings reflect only charges for goods and services that were medically necessary; properly approved by regulatory bodies, if required; and properly rendered.
 - c. There have been no communications (oral or written) from regulatory agencies, governmental representatives, employees, or others concerning investigations or allegations of noncompliance with laws and regulations in any jurisdiction (including those related to the Medicare and Medicaid antifraud and abuse statutes), deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the financial statements.
-
7. We have disclosed to you all known actual or possible litigation, asserted and unasserted claims, and assessments whose effects should be considered when preparing the financial statements. Adequate and reasonable provision has been made for losses related to asserted and unasserted malpractice, health insurance, worker's compensation, and any other claims or assessments.
 8. We have disclosed to you the identity of the District's related parties and all the related party relationships and transactions of which we are aware.
 9. The District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any material asset been pledged, except as disclosed in the notes to the financial statements.
 10. Receivables recorded in the financial statements represent valid claims for charges arising on or before the balance sheet date and have been appropriately reduced to their estimated net realizable value as follows:
 - a. Adequate consideration has been given to, and appropriate provision made for, estimated adjustments to revenue, such as for denied claims and changes to prospective payment system assignments.
 - b. Recorded valuation allowances are necessary, appropriate, and properly supported.
 - c. All peer review organizations, fiscal intermediary, and third-party payor reports and information have been made available to you.
 11. Provision has been made, when material, for estimated retroactive adjustments by third-party payors under reimbursement agreements. In regards to cost reports filed with third-parties:
 - a. All required Medicare, Medicaid, and similar reports have been properly filed on a timely basis.
 - b. Management is responsible for the accuracy and propriety of all cost reports filed.
 - c. All costs reflected on such reports are appropriate and allowable under applicable reimbursement rules and regulations and are patient-related and properly allocated to

applicable payors.

- d. The reimbursement methodologies and principles employed are in accordance with applicable rules and regulations.
 - e. Adequate consideration has been given to, and appropriate provision made for, audit adjustments by intermediaries, third-party payors, or other regulatory agencies.
 - f. All items required to be disclosed, including disputed costs that are being claimed to establish a basis for a subsequent appeal, have been fully disclosed in the cost report.
 - g. Recorded third-party settlements include differences between filed (and to be filed) cost reports and calculated settlements, which are necessary based on historical experience or new or ambiguous regulations that may be subject to differing interpretations. While management believes the entity is entitled to all amounts claimed on the cost reports, management also believes the amounts of these differences are appropriate.
12. We have reviewed long-lived assets and certain identifiable intangibles to be held and used for impairment whenever events or changes in circumstances have indicated that the carrying amount of assets might not be recoverable and have appropriately recorded the adjustment.
 13. We have fully disclosed to you all terms of contracts with customers that affect the amount and timing of revenue recognized in the financial statements, including delivery terms, rights of return or price adjustments, side adjustments, implicit provisions, unstated business conventions, and all warranty provisions.
 14. The District has identified all accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates, and I we believe the estimates are reasonable in the circumstances.
 15. There are no estimates that may be subject to a material change in the near term that have not been properly disclosed in the financial statements. We understand that near term means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations existing at the date of the financial statements that make the District vulnerable to the risk of severe impact that have not been properly disclosed in the financial statements.
 16. We have complied with all restrictions on resources (including donor restrictions) and all aspects of contractual and grant agreements that would have a material effect on the financial statements in the event of noncompliance. The District has obtained waivers for noncompliance with debt covenants, and we believe debt is properly classified as noncurrent.
 17. Inventories fairly represent the value of inventories at the lower of cost on the first-in, first-out method, or net realizable value.

18. We) acknowledge our responsibility for presenting the [Identify supplementary information] in accordance with GAAP, and I (we) believe the [Identify supplementary information], including its form and content, is fairly presented in accordance with GAAP. The methods of measurement and presentation of the [Identify supplementary information] have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
19. The financial statements include all component units as well as joint ventures with a material equity interest, and properly disclose all other joint ventures and other related organizations.
20. Components of net position net investment in capital assets, restricted, and unrestricted are properly classified and, if applicable, approved.
21. We have appropriately disclosed the District's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available and have determined that net position was properly recognized under the policy.
22. We are responsible for the management's discussion and analysis and have chosen not to present it, which will require disclosure in the auditor's report.

With Respect to Federal Award Programs

1. With respect to federal award programs:
 - a. We are responsible for understanding and complying with and have complied with the requirements of the Uniform Guidance and any other applicable laws and regulations and provisions of contracts and grant agreements, including requirements relating to preparation of the SEFA.
 - b. We are responsible for understanding and complying with, and have complied with, the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs and have identified and disclosed to you the requirements of federal statutes, regulations and the terms and conditions of federal awards that are considered to have a direct and material effect on each major federal program.
 - c. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing our federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards. We believe the internal control system is adequate and is functioning as intended.

- d. We have made available to you all federal awards (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relating to federal programs and related activities.
- e. We have received no requests from a federal agency to audit one or more specific programs as a major program.
- f. We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you), including when applicable, those set forth in the *OMB Compliance Supplement*, relating to federal awards confirm that there were no amounts questioned and no known noncompliance with the direct and material compliance requirements of federal awards.
- g. We have disclosed any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the applicable compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- h. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- i. Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB's Uniform Guidance (2CFR Part 200, Subpart E).
- j. We have disclosed to you our interpretation of compliance requirements that have varying interpretations, if any.
- k. We have made available to you all documentation relating to the compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- l. We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- m. There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- n. No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal

control over compliance subsequent to the date as of which compliance was audited.

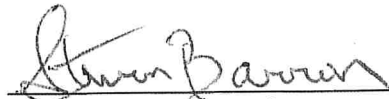
- o. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.
 - p. The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
 - q. We have charged costs to federal awards in accordance with applicable cost principles.
 - r. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
 - s. We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.
 - t. We are responsible for and will accurately complete the auditee section of the Data Collection Form as required by the Uniform Guidance.
 - u. We are responsible for taking corrective action on each audit finding of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance.
2. There have been no irregularities or instances of fraud involving management, employees who administer federal or state programs, or other employees that could have a material effect on federal programs.
 3. We have a process to track the status of audit findings and recommendations.
 4. We have identified to you any previous audits, attestation engagements, or other studies related to the audit objectives and whether related recommendations have been implemented.
 5. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.

Schedule of Expenditures of Federal Awards

6. We acknowledge our responsibility for presenting the SEFA in accordance with the requirements of the Uniform Guidance, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance. The methods of measurement and presentation of the SEFA have not changed from those used in the prior period, and we have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the SEFA.
7. We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance compliance audit, and have included in the SEFA, expenditures made during the audit period for all awards provided by federal agencies in the form of federal awards, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.

Sincerely,

San Geronio Healthcare District



Steven Barron, Chief Executive Officer



Daniel Heckathorne, Chief Financial Officer

Number	Date	Name	Account No	Debit	Credit
AJE22	6/30/2022	ACCRUED TAX RECEIVABLE_PROP 13	02-1064-123601	1,141,141.00	
AJE22	6/30/2022	ACCRUED TAX RECEIVABLE_MEASURE D	02-1064-123602		-604,629.00
AJE22	6/30/2022	ACCRUED TAX RECEIVABLE_MEASURE A	02-1064-123603		-536,512.00
To Correct Tax Accrual					
AJE 12	6/30/2022	OTHER MISC INCOME	9040-0000	141,560.00	
AJE 12	6/30/2022	Found FOUND	01-1850-185000		-141,560.00
To record the beneficial interest in the net assets of the Foundation					
AJE 13	6/30/2022	Due From Medicare Settlement	01-1051-124005	1,456,289.00	
AJE 13	6/30/2022	DSH ACCRUAL OTHER RECEIVABLES	01-1052-123704		-3,389,728.00
AJE 13	6/30/2022	Due from LLUMC	01-1065-124002		-106,033.00
AJE 13	6/30/2022	Supplemental Funding Revenue Receivable	01-1069-124301	4,000,548.00	
AJE 13	6/30/2022	INTERCOMPANY TRANSFER	01-1090-126101		-660,465.00
AJE 13	6/30/2022	UNRESTRICTED FUND BALANCE	01-2310-354001		-1,300,611.00
AJE 13	6/30/2022	ACCRUED TAX RECEIVABLE_PROP 13	02-1064-123601	99.00	
AJE 13	6/30/2022	UNRESTRICTED FUND BALANCE_UNRESTRICTED FUND BALANCE	02-2310-354001		-99.00
Net position closeout reconciliation - Prepared by Wipfli					
AJE 14	6/30/2022	INTERCOMPANY TRANSFER	01-1090-126101	111,925.00	
AJE 14	6/30/2022	REBATES & REFUNDS	01-5680-701498		-111,925.00
Immaterial adjustment to reconcile intercompany activity					
AJE 15	6/30/2022	ALLOW - HMO/PPO	01-1049-123106	203,024.00	
AJE 15	6/30/2022	REV DED_CNTRL ADJ CONTRACTUAL ALLOWANCES	01-5800-501052		-203,024.00
To adjust contractual allowance based on estimate					
AJE 18	6/30/2022	UNAMTZ LOAN_1352_GO BONDS 2015	02-1352-134001		-9,223.00
AJE 18	6/30/2022	BONDS PAYABLE_2013 BOND DISCOUNT	02-2251-245102	24,828.00	
AJE 18	6/30/2022	BONDS PAYABLE_2014 BOND ISSUE PREMIUM	02-2251-245105		-2,605.00
AJE 18	6/30/2022	BONDS PAYABLE_2015 BONDS PREMIUM	02-2251-245107	34,472.00	
AJE 18	6/30/2022	AMORTIZATION EXPENSE_AMORTIZATION EXPENSE	02-8850-602929		-47,472.00
To correct LTD balance of Bond Discount/Premium					
AJE 19	6/30/2022	ACCRUED PAYROLL	01-2031-243022		-320,007.00
AJE 19	6/30/2022	RN'S	01-6170-601502	320,007.00	
To correct accrued Payroll expense					
AJE 20	6/30/2022	Liability for legal settlements	01-2039-243016		-3,417,500.00
AJE 20	6/30/2022	Class action settlement losses - Employee pay	01-9900-903731	3,417,500.00	
To record settlement payments					
AJE 21	6/30/2022	ACCRUED GO BOND INTEREST PAYABLE_2015 ACCRUED INTE	02-2041-244504	494,729.00	
AJE 21	6/30/2022	AMORTIZATION EXPENSE_AMORTIZATION EXPENSE	02-8850-602929		-494,729.00
To correct accrued interest					

Number	Date	Name	Account No	Debit	Credit
AJE 22	6/30/2022	Outlier Estimate	WIPFLI 124005		-1,500,000.00
AJE 22	6/30/2022	Due From Medicare Settlement	01-1051-124005	1,141,145.00	
AJE 22	6/30/2022	DSH ACCRUAL OTHER RECEIVABLES	01-1052-123704	2,593,903.00	
AJE 22	6/30/2022	Due From Medi-Cal AB 915	01-1053-124001	188,789.00	
AJE 22	6/30/2022	Supplemental Funding Revenue Receivable	01-1069-124301		-4,000,548.00
AJE 22	6/30/2022	REV DED_CNTRL ADJ CONTRACTUAL ALLOWANCES	01-5800-501052	1,576,711.00	
AJE 22	6/30/2022	SUPPLEMENTAL FUNDING REVENUE RECEIVABLE OTHER RECE	02-1069-124301	24,621.00	
AJE 22	6/30/2022	NON_OPER REV90609060NON PT REVOTHER INTR INCOME OT	02-9060-703098		-24,621.00
		To record estimated 2022 cost report activity			
AJE 23	6/30/2022	SUPPLEMENTAL FUNDING REVENUE RECEIVABLE OTHER RECE	02-1069-124301	96,489.00	
AJE 23	6/30/2022	OPER REV_(MOVED 9170)_TAX REVENUE MD	02-5170-703232	47,139.00	
AJE 23	6/30/2022	OPER REV_(MOVED 9171)_PROP 13 INCOME OTHER INCOME	02-5171-703533	46,755.00	
AJE 23	6/30/2022	OPER REV_(MOVED 9173)_ABX 163 SUPPLEMENTAL TAX	02-5173-703634		-165,265.00
AJE 23	6/30/2022	NON_OPER REV9172_TAX REVENUE MA. OTHER INCOME	02-9172-903430		-25,118.00
		To true up tax income to support			
PBC 01	6/30/2022	Accrued Payables	01-2010-241003		-95,742.92
PBC 01	6/30/2022	PURCHASED SERVICES	01-8480-601969	95,742.92	
		To add AP accruals			
PBC 02	6/30/2022	CITY NATIONAL BANK - ACCT 403	01-1000-120001	38,499.65	
PBC 02	6/30/2022	BANK OF HEMET GENERAL CASH	01-1000-120003	117,375.84	
PBC 02	6/30/2022	SECURITY BANK PAYROLL	01-1000-120018	1,800,000.00	
PBC 02	6/30/2022	SECURITY BANK PAYROLL	01-1000-120018		-544,104.88
PBC 02	6/30/2022	SECURITY BANK GENERAL CHECKING	01-1000-120020		-1,648,121.63
PBC 02	6/30/2022	Accrued Payables	01-2010-241003		-307,753.86
PBC 02	6/30/2022	SALES TAX PAYABLE	01-2049-243001	544,104.88	
		To reconcile cash balances			
RJE 22	6/30/2022	INTERCOMPANY TRANSFER	1090-0000	320,007.00	
RJE 22	6/30/2022	RN'S	01-6170-601502		-320,007.00
RJE 22	6/30/2022	INTERCOMPANY_INTERCOMPANY DIST	02-1090-126102		-320,007.00
RJE 22	6/30/2022	AMORTIZATION EXPENSE_AMORTIZATION EXPENSE	02-8850-602929	320,007.00	
		To reclass unreconciled differences in accrued salaries and accrued interest between interest expense and salaries			
AJE LEASE 2022	6/30/2022	UNRESTRICTED FUND BALANCE	2310-0000	18,430.00	
AJE LEASE 2022	6/30/2022	BEHAVIORAL HEALTH AMORTIZATION EXPENSE	BH 602727	86,835.00	
AJE LEASE 2022	6/30/2022	ROU LEASED ASSETS	ROU 131400	3,168,512.00	
AJE LEASE 2022	6/30/2022	TIAA SHARP LEASE AMORTIZATION EXPENSE	TIAA 602727	1,665.00	
AJE LEASE 2022	6/30/2022	ABBOTT LEASE AMORTIZATION EXPENSE	ABBOT 602727	27,066.00	
AJE LEASE 2022	6/30/2022	LEASE ACCUMULATED AMORTIZATION	LEASE 132001		-1,027,641.00
AJE LEASE 2022	6/30/2022	LEASE ACCRUED INTEREST	LEASE 244500		-4,010.00
AJE LEASE 2022	6/30/2022	SHARED IMAGING LEASE AMORTIZATION EXPENSE	SHARED 602727	257,520.00	
AJE LEASE 2022	6/30/2022	INTERCOMPANY TRANSFER	01-1090-126101		-300,000.00
AJE LEASE 2022	6/30/2022	RENTAL/LEASE	01-6010-602676		-1,665.00
AJE LEASE 2022	6/30/2022	RENTAL/LEASE	01-6170-602676		-27,969.00
AJE LEASE 2022	6/30/2022	RENTAL/LEASE	01-7160-602676		-86,835.00
AJE LEASE 2022	6/30/2022	RENTAL/LEASE	01-7421-602676		-85,085.00
AJE LEASE 2022	6/30/2022	RENTAL/LEASE	01-7500-602676		-27,066.00
AJE LEASE 2022	6/30/2022	MRI - RENTAL & LEASE	01-7660-602676		-319,234.00
AJE LEASE 2022	6/30/2022	LINE OF CREDIT INTEREST	01-8870-602928	38,479.00	
AJE LEASE 2022	6/30/2022	INTERCOMPANY_INTERCOMPANY DIST	02-1090-126102	300,000.00	
AJE LEASE 2022	6/30/2022	PREPD_1108_DUES	02-1108-126010		-300,000.00
AJE LEASE 2022	6/30/2022	IN TOUCH ROBOTS AMORTIZATION EXPENSE	INTOUCH 602727	27,969.00	

Number	Date	Name	Account No	Debit	Credit
AJE LEASE 2022	6/30/2022	OLYMPUS LEASE AMORTIZATION EXPENSE	OLYMPUS 602727	48,259.00	
AJE LEASE 2022	6/30/2022	Current portion of leases payable	CP LEASE 245100		-608,561.00
AJE LEASE 2022	6/30/2022	LONG TERM PORTION OF LEASES PAYABLE	LT LEASE 245100		-1,273,925.00
AJE LEASE 2022	6/30/2022	Intuitive Lease amortization expense	INTUITIVE 602727	87,256.00	

Entry necessary to convert lease
accounting to conform to GASB Statement No. 87 principles