

# MARIN HEALTHCARE DISTRICT

100B Drakes Landing Road, Suite 250, Greenbrae, CA 94904

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## FINANCE AND AUDIT COMMITTEE MEETING AGENDA

OCTOBER 28, 2014 AT 5:45 P.M.

### Roll Call:

**Chair:** Ann Sparkman, JD  
**Member:** James Clever, MD  
**Staff:** Ronald K. Sperling, Chief Financial Officer  
Vanetta Van Cleave, Controller  
Richard Slusher, Senior Accountant  
Michael Lighthawk, Executive Assistant

### Location:

Marin Healthcare District Office  
100B Drakes Landing Road, Suite 250  
Greenbrae, CA 94904

**Guest:** Jud Goldsmith

### ATTACHMENTS

I.	CALL TO ORDER	Sparkman	
II.	ROLL CALL	Sparkman	
III.	APPROVAL OF AGENDA	Sparkman	
IV.	APPROVAL OF THE MINUTES - August 26, 2014	Sparkman	4A
V.	AUDIT		
	A. Review Draft MHD Audit Report June 30, 2014	Moss Adams	
	1. Review MHD Audit Report (Draft Supplement)	Moss Adams	
VI.	FINANCE		
	A. FY 2015 Cash Budget (vs. Actual)	Sperling	6A
	B. Profit & Loss	Sperling	6B
	C. Balance Sheet – Current & Prior Month	Sperling	6C
	1. Cash/Net Asset Graph	Sperling	6C1
	D. 1206(b) Report	Sperling	6D
	E. Narrative	Sperling	6E
	F. Review Financial Procedures & Internal Controls Policy	Sperling	
	G. District Investment Management Oversight (Discussion)	Sperling	
VII.	PUBLIC COMMENT	Sparkman	
VIII.	AGENDA ITEMS FOR NEXT MEETING	Sparkman	
IX.	ADJOURNMENT	Sparkman	

A copy of the agenda for the Regular Meeting will be posted and distributed at least seventy-two (72) hours prior to the meeting.  
American Sign Language Interpreters may be requested by calling (415) 927-5755 (voice) or (415) 927-5759 (facsimile) at least 48 hours in advance of this meeting.

**Attachment 4A**  
**Previous Minutes**



Marin Healthcare District Office  
100B Drake's Landing Road, Suite 250  
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## FINANCE AND AUDIT COMMITTEE MINUTES

August 26, 2014 - 5:30PM

- I. CALL TO ORDER:** Chair Sparkman called the meeting to order at 5:00pm
- II. MEMBER ROLL CALL:** Ann Sparkman, JD, Chair  
James Clever, MD, Member

**MANAGEMENT STAFF:** Ronald K. Sperling, Chief Financial Officer (Interim)  
Vanetta Van Cleave, Controller  
Richard Slusher, Senior Accountant  
Jamie Maites, Director of Communications  
Michael Lighthawk, Executive Assistant

**GUESTS:** Jud Goldsmith; Mike Whipple

### **III. APPROVAL OF AGENDA**

- Chair Sparkman and Member Clever approved the agenda.

### **IV. APPROVAL OF MINUTES (Pgs. 4, 5 of packet)**

- Chair Sparkman and Member Clever approved the minutes of June 24, 2014.
- Scheduling – Mr. Sperling asked if the committee would consider a change in date for the next committee meeting from September 23 to October 28 as we are not expecting that the Draft Audited Financials for the last Fiscal Year ending June 30, 2014 will be ready for review. The committee unanimously agreed to reschedule as suggested.

### **V. FINANCE**

#### **A. FY 2013 Cash Budget (vs. Actual) (Pg. 7)**

Mr. Sperling pointed out that as this is the first month of the fiscal year, there is not a lot of activity in the budget vs. actual. The hospital lease rent check was received as expected and recorded (\$111,114).

#### **B. Profit & Loss - YTD Comparison (Pg. 9)**

Chair Sparkman asked if the Election Expenses will cover the November election. Mr. Slusher confirmed that the funding for the election will be for the 3 District seats up for election. The MGH Lease measure on the ballot is funded by the hospital.

#### **C. Balance Sheet – Current & Prior Month (Pgs. 11, 12)**

No discussion.

#### **1. Cash/Net Asset Graph (Pg. 14)**

**D. 1206(b) Report (Pgs. 17, 18)**

Mr. Sperling pointed out that with a few exceptions we are not seeing any significant changes to what we expect to see month-to-month.

Discussions ensued regarding Medicare payment practices and the impact on Medicare dependent programs such as Cardiology Associates of Marin. Additionally, volumes in the clinics does not fluctuate that much although the newer practices (Urology) are still ramping up.

**E. Narrative (Pgs. 19-21 )**

**F. Discuss Community Health Grant Programs**

Chair Sparkman noted that the Community Health Grant Program policy, application and reporting form has been approved by the MHD Board of Directors and that a list of grant applicants is being reviewed.

**VI. PUBLIC COMMENT**

- Steve Lamb

**VII. AGENDA ITEMS FOR NEXT MEETING**

- Review Draft MHD Audited Financials ending 06-30-2014

**VIII. NEXT MHD F&A MEETING – Tuesday, October 28, 2014, 5:45pm**

**IX. ADJOURNMENT - There being no further business, the meeting adjourned at 5:35 pm.**

**Attachment 6A**  
**Budget**

Marin Healthcare District					
FY2015 Cash Budget Versus Actual					
As of September 30, 2014					
		July 1, 2014 Through September 30, 2014			
	Annual Budget	To Date - Budget	To Date - Actual	Variance ( ) is adverse	Ref
<b>Receipts</b>					
MGHC Cash Rental Income - Lease	457,419	111,114	111,114	0	1
MGHC Support Payments	201,364	49,597	49,597	0	2
MGHC Reimbursables	-				3
Interest Income	3,000	750	599	(151)	4
<b>Total Receipts</b>	<b>661,783</b>	<b>161,461</b>	<b>161,310</b>	<b>(151)</b>	<b>5</b>
<b>Disbursements</b>					
Legal Fees - Counsel - General	60,000	15,000	6,655	8,345	6
Auditor Expenses	20,000	10,000	7,500	2,500	7
Board Compensation	12,000	3,000	1,700	1,300	8
Board Expenses - Meetings & Travel	30,000	7,500	4,502	2,998	9
ACHD	12,000	12,000	12,000	0	10
Charitable Contributions	30,000	7,500	-	7,500	11
Consultant - Board	60,000	15,000	-	15,000	12
Community Communications & Education-	120,000	30,000	23,913	6,087	13
Lafoo Allocation	3,000	750	-	750	14
Election	130,000	-	-	0	15
Reserve	43,419	10,855	-	10,855	16
MGH Approved Program Support	141,364	-	-	0	17
<b>Subtotal - District Expenses</b>	<b>661,783</b>	<b>111,605</b>	<b>56,270</b>	<b>55,335</b>	<b>18</b>
<b>Net Cash Flow</b>	<b>\$ -</b>	<b>\$ 49,856</b>	<b>\$ 105,040</b>	<b>55,184</b>	<b>19</b>

**Attachment 6B**  
**P & L**

**Marin Healthcare District**  
**Profit & Loss YTD Comparison**  
September 2014

	<u>Sep 14</u>	<u>Jul - Sep 14</u>	<u>Ref</u>
<b>Ordinary Income/Expense</b>			
<b>Income</b>			
4000 · MGHC Rental Income			
4010 · MGHC Rental Income (Cash Rental Income)	37,038.00	111,114.00	<b>1</b>
4000 · MGHC Rental Income - Other	95,133.00	285,399.00	<b>2</b>
<b>Total 4000 · MGHC Rental Income</b>	<u>132,171.00</u>	<u>396,513.00</u>	<b>3</b>
4100 · MGHC- 1999 Agreement	0.00	49,596.63	<b>4</b>
4200 · Interest Income			
4204 · Interest Income - Operating	208.42	599.17	<b>5</b>
<b>Total 4200 · Interest Income</b>	<u>208.42</u>	<u>599.17</u>	<b>6</b>
<b>Total Income</b>	132,379.42	446,708.80	<b>7</b>
<b>Expense</b>			
5041 · Legal Fees			
5050 · Counsel - General	2,736.00	6,736.46	<b>8</b>
<b>Total 5041 · Legal Fees</b>	<u>2,736.00</u>	<u>6,736.46</u>	<b>9</b>
5083 · Operating Expenses			
5000 · Auditor Expenses	3,826.82	12,326.82	<b>10</b>
5090 · Subscription & Dues	1,000.00	3,000.00	<b>11</b>
5007 - Board Expenses			
5007.2 - Travel/Meals/Parking	0.00	993.63	<b>12</b>
5024 · MHCD Conferences & Meetings	524.98	5,690.14	<b>13</b>
<b>Total 5007 - Board Expenses</b>	<u>524.98</u>	<u>6,683.77</u>	<b>14</b>
5013 · Community Communications	0.00	26,913.10	<b>15</b>
5020 · Depreciation Expense	30,586.92	91,760.76	<b>16</b>
5030 · Election expenses	5,400.00	16,200.00	<b>17</b>
<b>Total 5083 · Operating Expenses</b>	<u>41,338.72</u>	<u>156,884.45</u>	<b>18</b>
<b>Total Expense</b>	<u>44,074.72</u>	<u>163,620.91</u>	<b>19</b>
<b>Net Ordinary Income</b>	88,304.70	283,087.89	<b>20</b>
<b>Other Income/Expense</b>			
<b>Other Income</b>			
8300 · Reimbursables 1206b Clinics	539,936.70	1,273,725.85	<b>21</b>
<b>Total Other Income</b>	<u>539,936.70</u>	<u>1,273,725.85</u>	<b>22</b>
<b>Other Expense</b>			
9300 · Net Loss - 1206b Clinics	539,936.70	1,273,725.85	<b>23</b>
<b>Total Other Expense</b>	<u>539,936.70</u>	<u>1,273,725.85</u>	<b>24</b>



**Marin Healthcare District**  
**Profit & Loss YTD Comparison**  
 September 2014

	<u>Sep 14</u>	<u>Jul - Sep 14</u>	<u>Ref</u>
Net Other Income	<u>0.00</u>	<u>0.00</u>	<b>25</b>
Net Income	<u><u>88,304.70</u></u>	<u><u>283,087.89</u></u>	<b>26</b>

**Attachment 6C**  
**Balance Sheet**

Marin Healthcare District  
**Balance Sheet**  
As of September 30, 2014

	Sep 30, 14	Aug 31, 14	\$ Change
<b>ASSETS</b>			
<b>Current Assets</b>			
<b>Checking/Savings</b>			
1040 · LAIF (State Investment Account)	299,741	299,741	0
1100 · Union Bank - Operating	2,012,750	2,017,674	-4,924
1120 · Union Bank - Money Market	1,585,232	1,585,024	208
1130 · Union Bank - 1206b	-551,846	-621,474	69,628
<b>Total Checking/Savings</b>	<b>3,345,877</b>	<b>3,280,965</b>	<b>64,912</b>
<b>Other Current Assets</b>			
1201 · Accounts Receivable - 1206b	2,020,869	1,823,234	197,635
1300 · Prepaid Expenses	509,000	510,000	-1,000
1530 · - Due from MGHC	508,754	329,573	179,181
1575 · Inventory - 1206b Clinics	14,092	14,092	0
<b>Total Other Current Assets</b>	<b>3,052,715</b>	<b>2,676,899</b>	<b>375,816</b>
<b>Total Current Assets</b>	<b>6,398,592</b>	<b>5,957,864</b>	<b>440,728</b>
<b>Fixed Assets</b>			
1610 · Hospital Buildings (Hospital Buildings)	5,113,164	5,143,579	-30,415
1620 · Land (Land)	865,701	865,701	0
1660 · 1206b Equipment - Net	477,183	497,493	-20,310
1679 · Drake's Landing Equipment	862	1,034	-172
<b>Total Fixed Assets</b>	<b>6,456,910</b>	<b>6,507,807</b>	<b>-50,897</b>
<b>Other Assets</b>			
1750 · Intangible Assets - 1206b	701,097	705,867	-4,770
1810 · Note Receivable - 1206b	46,626	54,335	-7,709
1850 · Security Deposit - Rent	86,826	86,826	0
<b>Total Other Assets</b>	<b>834,549</b>	<b>847,028</b>	<b>-12,479</b>
<b>TOTAL ASSETS</b>	<b>13,690,051</b>	<b>13,312,699</b>	<b>377,352</b>
<b>LIABILITIES &amp; EQUITY</b>			
<b>Liabilities</b>			
<b>Current Liabilities</b>			
<b>Accounts Payable</b>			
2000 · Accounts Payable	997,153	790,342	206,811
<b>Total Accounts Payable</b>	<b>997,153</b>	<b>790,342</b>	<b>206,811</b>
<b>Other Current Liabilities</b>			
2001 · Accounts Payable - 1206b Clinic	1,372,011	1,140,779	231,232
2005 · Accrued Election Expense	118,800	113,400	5,400
2006 · Accrued Expenses	8,034	8,034	0

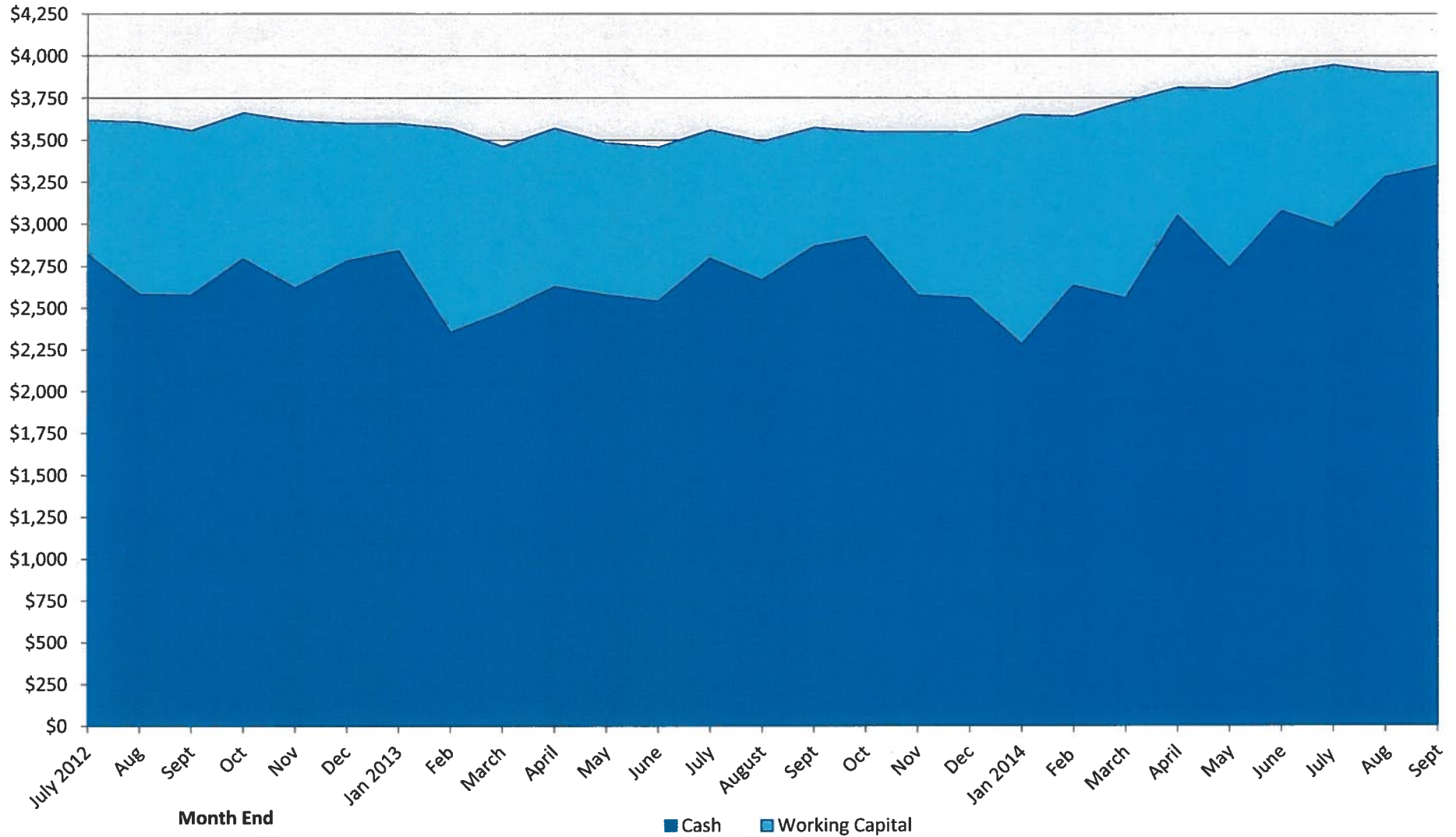
Marin Healthcare District  
**Balance Sheet**  
 As of September 30, 2014

	<u>Sep 30, 14</u>	<u>Aug 31, 14</u>	<u>\$ Change</u>
Total Other Current Liabilities	1,498,845	1,262,213	236,632
<b>Total Current Liabilities</b>	<b>2,495,998</b>	<b>2,052,555</b>	<b>443,443</b>
<b>Long Term Liabilities</b>			
2100 · Deferred Rental Income (Deferred Rental Income)	1,182,254	1,314,425	-132,171
2105 · Loan from MGHC- CAM Assets	600,000	622,222	-22,222
2111 · Due To MGHC - MMPC Retainer	500,000	500,000	0
2119 · Note Payable - 1206b CAM	600,000	600,000	0
<b>Total Long Term Liabilities</b>	<b>2,882,254</b>	<b>3,036,647</b>	<b>-154,393</b>
<b>Total Liabilities</b>	<b>5,378,252</b>	<b>5,089,202</b>	<b>289,050</b>
<b>Equity</b>			
3900 · Retained Earnings	8,028,711	8,028,711	0
Net Income	283,088	194,783	88,305
<b>Total Equity</b>	<b>8,311,799</b>	<b>8,223,494</b>	<b>88,305</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>13,690,051</b>	<b>13,312,696</b>	<b>377,355</b>

**Attachment 6C1**  
**Assets Graph**

## MHD - Monthly Cash and Working Capital Balances

(in \$1,000's)



**Attachment 6D**  
**1206(b)**

**Marin Healthcare District  
1206b Clinics  
Summary of Profit & Loss - Accrual Basis  
For the Period Ended September 20, 2014**

	# MD's	# Of Months	Current Month			Monthly Subsidy/MD	Year to Date			Avg. Annual Subsidy/MD
			Actual	Budget	Variance		Actual	Budget	Variance	
Marin Endocrine	2.50	3	(\$26,076)	(\$20,676)	(\$5,400)	(10,431)	(\$45,857)	(\$62,028)	\$16,171	(73,371)
Soluna Health	0.00	-	(921)	0	(921)	0	(2,841)	0	(2,841)	-
West Marin Medical Center (Pt. Reyes)	1.50	3	(14,890)	(9,404)	(5,486)	(9,927)	(28,289)	(28,211)	(78)	(75,437)
San Rafael Medical Center	1.00	3	(996)	(1,208)	211	(996)	6,084	(3,623)	9,708	24,338
North Marin Internal (Novato)	4.00	3	(15,311)	(3,230)	(12,081)	(3,828)	(43,613)	(9,690)	(33,923)	(43,613)
Marin Medical Group (MMG)	4.00	3	(21,962)	(30,000)	8,038	(5,490)	(43,663)	(89,999)	46,336	(43,663)
Cardiology Associates (CAM)	14.44	3	(331,664)	(201,554)	(130,111)	(22,968)	(805,642)	(604,661)	(200,980)	(223,169)
Tamalpais Internal Medicine (TIM)	2.75	3	(61,082)	(7,659)	(53,424)	(22,212)	(80,904)	(22,976)	(57,929)	(117,679)
Urology	1.00	3	(28,009)	(3,620)	(24,389)	(28,009)	(137,257)	(10,859)	(126,397)	(549,027)
Vascular Surgery	1.00	3	(39,034)	(24,714)	(14,320)	(39,034)	(91,745)	(74,141)	(17,604)	(366,981)
<b>Totals</b>	<b>32.19</b>		<b>(\$539,945)</b>	<b>(\$302,063)</b>	<b>(\$237,882)</b>	<b>(\$16,774)</b>	<b>(\$1,273,726)</b>	<b>(\$906,189)</b>	<b>(\$367,537)</b>	

CAM MD's include .74FTE for Bradley



Marin Healthcare District 1206(b) Clinic  
**Consolidated Statement of Revenues and Expenses**  
For the Period Ended September 20, 2014

	Month-To-Date			Year-To-Date		
	Actual	Budget	Variance	Actual	Budget	Variance
<b>Ordinary Income/Expense</b>						
<b>Income</b>						
Net Revenue	1,357,767	1,224,637	133,130	3,709,612	3,673,910	35,702
Collections - Capitation	0	0	0	0	0	0
Medicare/MIPA Bonus	10,704	9,208	1,495	91,450	27,625	63,825
RAC Takebacks	(7,612)	0	(7,612)	(7,612)	0	(7,612)
Gross Charges	0	0	0	0	0	0
Other Physician Income	19,577	37,500	(17,923)	51,577	112,500	(60,923)
Interest Income	374	325	49	709	974	(264)
<b>Total Income</b>	<b>1,380,810</b>	<b>1,271,669</b>	<b>109,140</b>	<b>3,845,736</b>	<b>3,815,008</b>	<b>30,727</b>
<b>Expense</b>						
MMPC Management	10,800	9,962	(838)	32,400	29,886	(2,514)
MD Compensation	983,598	733,685	(249,912)	2,431,179	2,201,056	(230,123)
MD Compensation - Accrued	57,354	1,205	(56,149)	119,613	3,615	(115,998)
MD Compensation - Other Svcs	33,395	15,833	(17,562)	85,747	47,500	(38,247)
Nurse Practitioner Compensation	5,391	41,417	36,025	18,222	124,250	106,028
Staff Salaries & Benefits	338,623	277,105	(61,519)	1,041,737	831,314	(210,423)
Rent/Custodial/Utilities	101,894	103,718	1,823	310,623	311,154	531
Medical Supplies	45,488	32,750	(12,738)	110,540	98,250	(12,290)
Office/General Supplies	13,965	21,250	7,285	38,686	63,750	25,064
Billing Fees	74,726	86,683	11,957	245,910	260,048	14,138
Malpractice Insurance	0	6,072	6,072	0	18,215	18,215
Business Insurance	0	417	417	0	1,250	1,250
Dues, CME, Boards, License	2,082	4,160	2,078	3,718	12,480	8,762
Miscellaneous	803	1,083	281	1,004	3,250	2,246
Bank Service Charges	5,755	6,602	847	18,411	19,805	1,394
Depreciation Expense	25,080	25,422	342	75,239	76,265	1,027
Management Fee	94,301	94,301	0	282,902	282,902	0
Excess Cash Distribution	61,317	46,357	(14,960)	126,259	139,071	12,811
Equipment Purchases	2,575	1,875	(700)	2,575	5,625	3,050
Equipment Rental	2,467	1,475	(992)	7,828	4,425	(3,403)
Licenses and Permits	0	0	0	0	0	0
Payroll Expenses	2,279	1,917	(362)	6,920	5,750	(1,170)
Postage and Delivery	5,625	1,640	(3,985)	10,063	4,919	(5,144)
Professional Fees	12,506	12,506	0	37,517	37,517	0
Purchased Services	39,862	29,853	(10,009)	117,067	89,559	(27,508)
Repairs	307	1,458	1,152	3,455	4,375	920
Shared Expense	(10,891)	(16,667)	(5,775)	(51,359)	(50,000)	1,359
Telephone	8,830	12,733	3,903	31,442	38,200	6,758
Travel & Ent	0	0	0	0	0	0
Marketing	0	16,422	16,422	3,889	49,267	45,377
Interest Expense - Asset Purch	2,625	2,500	(125)	7,875	7,500	(375)
<b>Total Expense</b>	<b>1,920,755</b>	<b>1,573,732</b>	<b>(347,023)</b>	<b>5,119,462</b>	<b>4,721,197</b>	<b>(398,265)</b>
<b>Net Ordinary Income</b>	<b>(539,945)</b>	<b>(302,063)</b>	<b>(237,882)</b>	<b>(1,273,726)</b>	<b>(906,188)</b>	<b>(367,537)</b>
<b>Net Income</b>	<b>(539,945)</b>	<b>(302,063)</b>	<b>(237,882)</b>	<b>(1,273,726)</b>	<b>(906,188)</b>	<b>(367,537)</b>
<b>Work RVU's</b>	<b>18,739</b>	<b>13,952</b>	<b>4,787</b>	<b>46,068</b>	<b>41,856</b>	<b>4,212</b>
<b>Net Revenue Per Work RVU (Include Medicare Bonus)</b>	<b>73.03</b>	<b>88.44</b>	<b>(15.41)</b>	<b>82.51</b>	<b>88.44</b>	<b>(5.92)</b>
<b>MD Compensation Per Work RVU</b>	<b>55.55</b>	<b>52.67</b>	<b>(2.88)</b>	<b>55.37</b>	<b>52.67</b>	<b>(2.70)</b>
<b>Compensation to Production %</b>	<b>75.8%</b>	<b>58.6%</b>	<b>-17.2%</b>	<b>67.0%</b>	<b>58.6%</b>	<b>-8.5%</b>
<b>Number of MD's</b>	<b>32.19</b>	<b>32.19</b>	<b>0</b>	<b>32.19</b>	<b>32.19</b>	<b>0</b>
<b>wRVU's per MD FTE</b>	<b>582.13</b>	<b>433.42</b>	<b>148.70</b>	<b>1,431.11</b>	<b>1,300.27</b>	<b>130.84</b>
<b>Admin Cost %</b>	<b>56.86%</b>	<b>61.07%</b>	<b>4.22%</b>	<b>61.28%</b>	<b>61.07%</b>	<b>-0.21%</b>
<b>MMPC % of Production</b>	<b>5.50%</b>	<b>7.08%</b>	<b>1.57%</b>	<b>6.63%</b>	<b>7.08%</b>	<b>0.45%</b>
<b>Admin Costs/Net Revenue</b>	<b>61.85%</b>	<b>66.70%</b>	<b>4.85%</b>	<b>65.32%</b>	<b>66.70%</b>	<b>1.38%</b>
<b>Staff FTE's</b>	<b>56.5</b>	<b>56.5</b>	<b>0</b>	<b>56.5</b>	<b>56.5</b>	<b>0</b>
<b>Salary/Benefits per Staff FTE</b>	<b>5,993</b>	<b>4,905</b>	<b>(1,088)</b>	<b>18,438</b>	<b>14,714</b>	<b>(3,724)</b>
<b>Staff to MD Ratio</b>	<b>1.76</b>	<b>1.76</b>	<b>0</b>	<b>1.76</b>	<b>1.76</b>	<b>0</b>
<b>Support per MD</b>	<b>(\$16,774)</b>	<b>(\$9,384)</b>	<b>(\$7,390)</b>	<b>(\$39,569)</b>	<b>(\$28,151)</b>	<b>(\$11,418)</b>

**Attachment 6E**  
**Narrative**



**Marin Healthcare District  
Financial Narrative – September 30, 2014**

**I. General Comments**

These financial statements contain, in summary format, the balance sheet and net loss from the 1206b Clinics. The Clinics, at September 30, 2014, are comprised of 9 locations and 34 physicians (including 2 additional physicians in September), but are reported as one combined unit.

**II. FY 2014 Cash Budget – Cash Basis**

**Summary**

**Ref. 19** - The District experienced, year-to-date, a favorable variance to budget, on a cash basis, of \$55,184. Receipts include \$111,114 from MGH for the cash portion of rent for the period July through September 2014. The District also received \$49,597 from MGHC for the first quarter Support Payments.

**District Expenses**

**Ref. 6 - 18** –**Certain cash disbursements in July and August related to prior-year budget items and, as such, are not included in this schedule.** The main expenses against the year-to-date 2015 budget are \$6,655 for general legal fees, \$7,500 for audit fees, \$12,000 for AHA dues, \$23,913 for Community Communication and Education, and \$6,202 for Board expenses.

**III. Profit & Loss – Accrual Basis**

**Ref. 7** - Total Income for the month of September is \$132,379, consisting of monthly amortization of deferred rent - \$95,133, recognition of \$37,038 in cash rent, and interest income of \$208.

**Ref. 19** - The District incurred total expenses of \$88,305, including \$525 for board-related expenses, legal fees of \$2,736, \$3,827 in audit expenses, \$1,000 amortization of prepaid AHA dues, and \$30,587 in depreciation. Election expenses consist of \$5,400 accrued for the 2014 board election.

**Ref. 22, 24** - Reported under Other Income/Expenses is \$539,937 representing the net loss in September from the 1206b Clinics. This is offset by \$539,937 in Other Income for 1206b losses to be reimbursed by MGHC.

#### IV. Balance Sheet – Current & Prior Month (Accrual Basis)

##### Assets

**Ref. 5** - The cash balance at September 30, 2014 was \$3,345,877, an increase of \$64,912 from August. The negative balance in the 1206b account represents outstanding checks at the end of September that had not cleared the bank.

**Ref. 6, 8** - Accounts Receivable – 1206b of \$2,020,869 (ref 6) represents net billings outstanding from carriers owed to the 1206b Clinics, an increase of \$197,635 from August. The amount Due from MGHC (ref 8) as of September 30, 2014 was \$508,754 and was received in October.

**Ref. 7** – Prepaid Expense includes a \$500,000 retainer paid to MMPC in April 2012 for operating expenses of the 1206b clinics as per the agreement. As the retainer amount was reimbursed to the District in April 2012 by MGHC, the District will be obligated to repay MGHC when the retainer is returned by MMPC. Also included in Prepaid Expense is \$9,000 of prepaid AHA dues that will be amortized over the remainder of the fiscal year.

**Ref. 9 – Inventory 1206b Clinics** The balance represents the estimated amount of medical supplies inventory at CAM.

**Ref. 12 - 15** – The changes in the Fixed Asset balances represent depreciation expense taken during the month.

**Ref. 16** - Fixed Assets (net of depreciation) are \$6,456,910, including \$477,183 from the 1206b Clinics.

**Ref. 17 – Intangible Assets - 1206b** A portion of the CAM asset purchase price was deemed to be for medical records and other intangibles (\$185,844 and \$675,660 respectively). These balances are reduced each month by amortization over a period of 15 years. The current balance is \$701,097.

**Ref. 18, 19** - Other Assets consist of \$86,826 rental security deposits for the District Office and 1206b Clinics and the balance of two notes receivable (in the amount of \$46,626) for working capital advances to two of the 1206b clinics.

##### Liabilities and Equity

**Ref. 23** – Accounts Payable of \$997,153 is comprised of invoices payable for District expenses and 1206b physicians, an increase of \$206,811.

**Ref. 24 - 27** - Other Current Liabilities of \$1,498,845 consist of \$1,372,011 in accounts payable for 1206b Clinic expenses (\$231,232 increase), \$8,034 for credit card and other accrued expenses (\$0 change) and \$118,800 accrued for election expenses (\$5,400 increase).

**Ref. 33-** Long-Term Liabilities are \$2,882,254 a decrease of \$154,393.

**Ref. 29-** Included in Long-term debt is \$1,182,254 of deferred rental income from the hospital.

**Ref. 30** – Loan from MGHC – CAM Assets is an agreement between MHD and MGHC related to the purchase of assets from CAM for the 1206b clinic. MGHC has loaned MHD a total of \$1,150,000 to cover MHD’s payments to the CAM 1206b Clinic. A portion of the loan is forgiven each month over the 5-year term of the contract with CAM. The monthly forgiveness is now \$22,222. The outstanding balance of the loan is \$600,000.

**Ref. 31** – Due to MGHC – MMPC Retainer. In accordance with an agreement, in April 2012, a \$500,000 retainer was paid to Marin Medical Practice Concepts (MMPC), who manages the 1206b Clinics. MMPC pays the administrative overhead of the Clinics and then bills MHD for reimbursement. The retainer is meant to ensure that MMPC has adequate cash on hand to meet its obligations. MGHC reimbursed MHD, in April 2012, for the payment of the retainer. The District will be obligated to repay MGHC when the retainer is returned by MMPC.

**Ref. 32** – Note Payable – 1206b CAM was initially \$1,000,000 payable to CAM over five years in accordance with the terms of the asset purchase agreement. The unpaid balance accrues interest at 2% above prime, which is included in the 1206b expenses. In December 2012 and December 2013, a principal payment of \$200,000 was made to CAM, along with accrued interest. The principal balance at September 30, 2014 was \$600,000.

**Ref. 39** – The District has a positive net Equity of \$8,311,799.

**V. 1206b Income Statement**

The budget for the 1206b Clinics for the year-ending June 30, 2015 is still being worked on. The year-to-date clinic loss was \$1,273,726, \$367,537 in excess of the preliminary budget.