

WEST ORANGE HEALTHCARE DISTRICT
A SPECIAL DISTRICT IN ORANGE COUNTY, FLORIDA

FINANCIAL STATEMENTS

Years Ended September 30, 2021 and 2020

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees and Finance Committee of
West Orange Healthcare District
Ocoee, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of West Orange Healthcare District (the "District") which comprise the statements of net position as of September 30, 2021 and 2020, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Trustees and Finance Committee of
West Orange Healthcare District

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the District as of September 30, 2021 and 2020, and the results of its operations, changes in its net position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Requirements by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 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 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 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.

MSL, P.A.

Certified Public Accountants

Orlando, Florida
February 15, 2022

WEST ORANGE HEALTHCARE DISTRICT
A Special District in Orange County, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended September 30, 2021 and 2020

As management of West Orange Healthcare District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the years ended September 30, 2021 and 2020. The information presented herein should be read in conjunction with additional information that we have furnished in the District's financial statements, which follows this narrative.

The financial information presented herein includes all of the activities of the District, as prescribed by the Governmental Accounting Standards Board ("GASB") Codification.

Financial Highlights

- Net position, the excess of assets over liabilities, amounted to \$52,503,535 and \$71,982,212 at September 30, 2021 and 2020, respectively.
- The District's net position decreased \$19,478,677 and \$56,286,666 in total as a result of operations for the years ended September 30, 2021 and 2020, respectively.
- The District's cash and cash equivalents balance was \$18,714,534 and \$1,500,651 at September 30, 2021 and 2020, respectively.
- Interest and dividend income on the District's funds related to its cash equivalents and investment portfolios was \$1,130,606 and \$1,937,502 for the years ended September 30, 2021 and 2020, respectively. Realized gains and losses, and the change in net unrealized gains (losses) on investments were \$7,535,999 and \$4,723,981 for the years ended September 30, 2021 and 2020, respectively.
- The District approved and paid grant funding during the years ended September 30, 2021 and 2020 of \$27,692,058 and \$62,377,881, respectively.
- Operating expenses were \$731,413 and \$753,919 for the years ended September 30, 2021 and 2020, respectively.

Summary of Conditional Grant Funding Obligations

On February 3, 2016, the District and Orlando Health Central, Inc. ("OHCI") entered into a conditional grant agreement for the District, among other things, to provide 70% of grant funding for construction of an estimated \$35 million skilled nursing facility, not to exceed \$24.5 million. OHCI will be responsible for the remaining 30% and any costs in excess of \$24.5 million. Funds were paid over five years. No conditional commitments exist for this grant as of September 30, 2020. No conditional commitments exist for this grant as of September 30, 2021.

Summary of Conditional Grant Funding Obligations (Continued)

On February 3, 2016, the District and OHCI entered into a conditional grant agreement for the District, among other things, to provide 75% of grant funding for construction of an estimated \$28 million cancer treatment center to be located on the Orlando Health Central Campus, not to exceed \$21 million. OHCI will be responsible for the remaining 25% and any costs in excess of \$21 million. Funds were paid over no more than five years. No conditional commitments exist for this grant as of September 30, 2020. No conditional commitments exist for this grant as of September 30, 2021.

On February 3, 2016, the District and OHCI entered into a conditional grant agreement for the District, among other things, to provide 66% of grant funding for construction of an estimated \$45 million Health and Wellness Campus in Horizons West, not to exceed \$29.7 million. OHCI will be responsible for the remaining 34% and any costs in excess of \$29.7 million. Funds were paid over no more than three years. No conditional commitments exist for this grant as of September 30, 2020. No conditional commitments exist for this grant as of September 30, 2021.

On October 1, 2017, the District and Cornerstone Hospice Foundation, Inc. entered into a conditional grant agreement for the District to provide \$1.25 million of grant funding for construction of an estimated \$2.5 million Cornerstone Hospice Care Center at the Orlando Health – Health Central Hospital campus. OHCI will be responsible for the remaining costs in excess of the grant amount. No conditional commitments exist for this grant as of September 30, 2020. No conditional commitments exist for this grant as of September 30, 2021.

On June 25, 2020, the District and United Cerebral Palsy of Central Florida, Inc. (“UCP”) entered into a conditional grant agreement for the District to provide \$1.5 million of grant funding for construction of the UCP West Orange Campus. UCP will be responsible for the remaining costs in excess of the grant amount. No conditional commitments exist for this grant as of September 30, 2020. No conditional commitments exist for this grant as of September 30, 2021.

During fiscal years 2018 and 2019, the District entered into three smaller conditional grant agreements for the District, among other things, to provide a combined \$1,000,000 of grant funding for construction and services for the benefit of the residents of the District. The conditional grant commitment by the District at September 30, 2021 was approximately \$250,000.

In December 2020, the District entered into an agreement with the City of Winter Garden for development of a holistic health and wellness park with a working and teaching farm to produce affordable fruits and vegetables for the community. Total amount of the grant award is \$6.0 million. No activity was incurred on this grant through the end of fiscal year 2021. The City has conducted extensive feasibility studies to ensure sustainability and have engaged the District’s CEO throughout. The City of Winter Garden believes that they have found the right partner and expect progress in the future. The conditional grant commitment by the District at September 30, 2021 was approximately \$6.0 million.

Total conditional grant funding to be provided by the District for the projects described above was approximately \$6.25 million.

Overview of the Financial Statements

This report consists of three components: 1) management's discussion and analysis ("MD&A"), 2) the basic financial statements, and 3) the notes to the financial statements.

The District is structured as an enterprise fund. The financial statements report information about the District using accounting methods prescribed by the GASB. These financial statements provide current and long-term financial information about the District's activities. The Statements of Net Position include all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to the District's creditors (liabilities).

All revenues and expenses are accounted for in the Statements of Revenues, Expenses, and Changes in Net Position. These statements measure the change in the District's operations over the past 12 months ended September 30, 2021 and 2020, and can be used to determine whether the District has recovered its costs through interest revenue and other revenue sources. The final required statement is the Statements of Cash Flows. These statements provide information about the District's cash from operating, investing, and capital and financing activities and provides answers to such questions as: Where did cash come from? What was cash used for? What was the change in the cash balance during the reporting period?

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

Financial Position

Net position increases when revenues exceed expenses. At September 30, 2021 and 2020, assets exceeded liabilities by \$52,503,539 and \$71,892,212, respectively. The following is a summary of the District's net position at September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Assets:		
Current assets	\$ 18,725,674	\$ 1,513,030
Non-current assets	38,878,185	75,565,651
Total Assets	<u>\$ 57,603,859</u>	<u>\$ 77,078,681</u>
Liabilities:		
Current liabilities	\$ 5,100,324	\$ 4,826,887
Long-term liabilities	-	269,582
Total Liabilities	<u>\$ 5,100,324</u>	<u>\$ 5,096,469</u>
Net Position:		
Net investment in capital assets	\$ 7,019,852	\$ 5,448,607
Restricted	6,250,000	17,940,000
Unrestricted	39,233,683	48,593,605
Total Net Position	<u>\$ 52,503,535</u>	<u>\$ 71,982,212</u>

Statement of Revenues, Expenses, and Changes in Net Position

The statement of revenues, expenses, and changes in net position presents information illustrating how a government's net position changed during the period. All changes in net position are reported as soon as the economic activities occur, regardless of the timing of the cash receipt or disbursement.

The following is a summary of the District's statement of revenues, expenses, and changes in net position for the years ended September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Operating Revenues		
Interest and dividends from investments	\$ 1,130,606	\$ 1,937,502
Change in net unrealized/realized gains (losses) on investments	7,535,999	4,723,981
Miscellaneous income	278,189	183,651
Total Operating Revenues	<u>8,944,794</u>	<u>6,845,134</u>
Grants and Operating Expenses		
Health grant contributions	27,692,058	62,377,881
Payroll and related benefits	326,316	410,423
Professional and consulting fees	144,083	80,053
General and administrative	210,724	227,262
Insurance and depreciation	48,266	35,331
Healthy West Orange initiative	2,024	850
Total Grants and Operating Expenses	<u>28,423,471</u>	<u>63,131,800</u>
Change in Net Position	(19,478,677)	(56,286,666)
Net position – Beginning of Year	<u>71,982,212</u>	<u>128,268,878</u>
Net position – End of Year	<u>\$ 52,503,535</u>	<u>\$ 71,982,212</u>

Requests for Information

This report is designed to provide an overview of the District's finances for those with an interest in this area. Questions concerning any of the information found in this report, or requests for additional information, should be directed to Tracy Swanson, CEO, West Orange Healthcare District, 1200 East Plant St., Suite 240, Winter Garden, FL 34787.

WEST ORANGE HEALTHCARE DISTRICT

STATEMENTS OF NET POSITION

September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 18,714,534	\$ 1,500,651
Prepaid expenses and other current assets	<u>11,140</u>	<u>12,379</u>
TOTAL CURRENT ASSETS	<u>18,725,674</u>	<u>1,513,030</u>
Non-current Assets		
Investments		
Restricted	6,250,000	17,940,000
Unrestricted	25,607,593	52,132,200
Capital Assets:		
Land and building construction in progress	6,996,666	5,416,751
Equipment, furniture and fixtures	84,494	83,641
Less: Accumulated depreciation	<u>(61,308)</u>	<u>(51,785)</u>
TOTAL CAPITAL ASSETS	7,019,852	5,448,607
Other non-current assets	<u>740</u>	<u>44,844</u>
TOTAL ASSETS	<u>57,603,859</u>	<u>77,078,681</u>
LIABILITIES		
Current Liabilities		
Accrued expenses	175,718	47,638
Health grants payable	<u>4,924,606</u>	<u>4,779,249</u>
TOTAL CURRENT LIABILITIES	<u>5,100,324</u>	<u>4,826,887</u>
Non-current Liabilities		
Estimated claims payable	<u>-</u>	<u>269,582</u>
TOTAL LIABILITIES	<u>5,100,324</u>	<u>5,096,469</u>
NET POSITION		
Net investment in capital assets	7,019,852	5,448,607
Restricted conditional grant commitments	6,250,000	17,940,000
Unrestricted	<u>39,233,683</u>	<u>48,593,605</u>
TOTAL NET POSITION	<u>\$ 52,503,535</u>	<u>\$ 71,982,212</u>

The accompanying notes are an integral part of the financial statements.

WEST ORANGE HEALTHCARE DISTRICT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Years Ended September 30, 2021 and 2020

	2021	2020
OPERATING REVENUES		
Interest and dividends from investments	\$ 1,130,606	\$ 1,937,502
Change in net unrealized/realized gains (losses) on investments	7,535,999	4,723,981
Miscellaneous income	278,189	183,651
TOTAL OPERATING REVENUES	8,944,794	6,845,134
GRANTS AND OPERATING EXPENSES		
Health grant contributions	27,692,058	62,377,881
Operating Expenses:		
Salaries and wages	285,485	342,339
Professional and consulting fees	111,353	62,113
General and administrative	210,724	227,262
Employee benefits	40,831	68,084
Insurance	37,703	23,520
Depreciation	10,563	11,811
Consulting fees	32,730	17,940
Healthy West Orange Initiative	2,024	850
TOTAL OPERATING EXPENSES	731,413	753,919
TOTAL GRANTS AND OPERATING EXPENSES	28,423,471	63,131,800
CHANGE IN NET POSITION	(19,478,677)	(56,286,666)
NET POSITION - BEGINNING OF YEAR	71,982,212	128,268,878
NET POSITION - END OF YEAR	\$ 52,503,535	\$ 71,982,212

The accompanying notes are an integral part of the financial statements.

WEST ORANGE HEALTHCARE DISTRICT

STATEMENTS OF CASH FLOWS

Years Ended September 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest, dividends and other income	\$ 10,125,928	\$ 9,001,183
Cash payments for health grants	(27,546,701)	(66,651,918)
Cash payments to suppliers and vendors	(531,524)	(379,101)
Cash payments to employees	(285,485)	(398,567)
NET CASH USED IN OPERATING ACTIVITIES	(18,237,782)	(58,428,403)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(1,581,808)	(4,078,856)
CASH FLOWS FROM INVESTING ACTIVITIES		
Changes in investments	37,033,473	56,708,905
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	17,213,883	(5,798,354)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,500,651	7,299,005
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 18,714,534	\$ 1,500,651
RECONCILIATION OF CHANGE IN NET POSITION TO		
NET CASH USED IN OPERATING ACTIVITIES		
Change in net position	\$ (19,478,677)	\$ (56,286,666)
Adjustments to reconcile net cash used in operating activities:		
Depreciation expense	10,563	11,811
Change in net unrealized (gains) losses on investments	1,181,134	2,156,049
Decrease (increase) in:		
Prepaid expenses and other assets	45,343	(25,013)
Increase (decrease) in:		
Accrued liabilities	(141,502)	(10,547)
Grants payable	145,357	(4,274,037)
NET CASH USED IN OPERATING ACTIVITIES	\$ (18,237,782)	\$ (58,428,403)

The accompanying notes are an integral part of the financial statements.

WEST ORANGE HEALTHCARE DISTRICT
A SPECIAL DISTRICT IN ORANGE COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

Years Ended September 30, 2021 and 2020

NOTE 1 - HISTORY AND BACKGROUND OF THE DISTRICT

West Orange Healthcare District (the “District”) is a special taxing district in Orange County, Florida created and incorporated in 1949 by the Legislature of the State of Florida under Chapter 97-255 of the Florida Statutes (the “Act”). The District’s Board of Trustees (the “Board”) is enabled to acquire, construct, operate and maintain hospitals, healthcare facilities, or contract with third parties for the care of people within the District, and to levy taxes and issue bonds to finance healthcare facilities’ operations, and to participate in other activities to promote the general health of the District. Prior to October 1, 2000, the District received tax monies assessed and levied against the real, personal, and taxable property within the District, as defined in Section 1 of the Act. In 1995, a bill was passed by the Florida Legislature terminating the taxing authority of the District as of October 1, 2000.

Prior to April 1, 2012, the District operated Health Central (the “Hospital”), a 171-bed, short-term, acute care hospital; Health Central Park (the “Park”), a 228-bed, long-term care facility; and other ancillary healthcare operations. On December 22, 2011, the District and Orlando Health, Inc. (“OHI”), a not-for-profit healthcare provider, entered into an asset purchase agreement (the “APA”) in which OHI agreed to purchase substantially all of the assets and assume substantially all of the liabilities of the District for \$177,000,000, plus interest, through an affiliate, Orlando Health Central, Inc. (“OHCI”). The sale was approved by both the District’s Board and OHI’s Board of Directors. The agreement contained provisions for certain closing adjustments, which would increase or decrease the final purchase price.

On April 1, 2012, the District and OHCI closed on the APA. Due primarily to an increase in the value of marketable securities in the investment portfolio after the original valuation date, the purchase price at closing was \$181,300,000. As consideration for the purchase of the District’s assets, OHCI issued a Purchase Money Promissory Note (the “Note”) for \$181,300,000.

The terms of the APA provided, among other things, for the District to retain approximately \$1,707,000 in cash for working capital and operating expenses and \$4,700,000 in investment assets, comprising a self-insurance fund related to malpractice and general liability. The District also retained the risk of losses from claims arising from incidents that occurred prior to the sale date.

In April 2016, the District and OHCI agreed and entered into an early payoff of the Note for a combined total cash proceeds of \$141,120,000, plus accrued unpaid interest of \$413,516, and a 2% prepayment premium of \$2,822,400.

NOTE 2 - BASIS OF ACCOUNTING, MEASUREMENT FOCUS, AND FINANCIAL STATEMENT PRESENTATION

The District's financial statements are prepared in accordance with the Governmental Accounting Standards Board ("GASB") Codification. The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

In evaluating the District as a reporting entity, the District's management considered all potential component units for which the District may be financially accountable and, as such, be includible within the District's financial statements. No such component units were identified.

The District's Board adopts operating budgets. The budgets for the years ended September 30, 2021 and 2020 were prepared using the accrual basis. The District does not use encumbrance accounting.

The District classifies its net position into three categories - net investment in capital assets, restricted, and unrestricted. These categories are defined as follows:

Net Investment in Capital Assets - Consists of capital assets, net of accumulated depreciation.

Restricted Net Position - Consists of assets that have external constraints placed upon their use imposed either by creditors (such as through debt covenants), grantors, contributors, or through laws or regulations of other governments or constraints imposed by law through constitutional provisions, enabling legislation, or contractual obligations. The conditional grant obligations described in Note 6 are contractual obligations of the District. Accordingly, they are included in restricted net position.

Unrestricted Net Position - Consists of net assets that do not meet the definition of "net investment in capital assets" and "restricted net assets."

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

Cash and cash equivalents are defined as highly liquid investments with original maturities of three months or less when purchased and consist of amounts held as bank deposits and money market funds.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments are stated at fair value (see Note 4). Fair value is determined using the quoted closing or latest bid prices. Realized gains and losses on investment transactions are included in operating revenues and are calculated based on proceeds received, less carrying value, at the beginning of the reporting period. The cost of securities sold is based on the specific-identification method. Dividends are recorded based on payment dates. Interest is recognized when earned. Changes in net unrealized gains and losses represent the change in the fair value of investment holdings over their cost during the period and are included in operating revenues.

Capital Assets

Capital assets, including real estate, with an acquisition value in excess of \$1,000 are recorded at cost or, if donated, at estimated fair value at the date of donation. The cost of maintenance, repairs, and minor replacements are charged to expense as incurred. Depreciation is provided using the straight-line method over the estimated useful lives of 3 to 10 years for equipment and furniture.

Liabilities

Current liabilities primarily consist of health grants payable (see Note 5).

Non-current liabilities have previously primarily consist of self-insurance reserves. Self-insurance reserves for unpaid and incurred but not reported professional liability claims were approximately \$270,000 at September 30, 2020. There was no such liability at September 31, 2021. The claims were recorded based upon estimates developed with the advice of legal counsel considering historical payment levels and claims data (see Note 6).

Operating Revenues and Expenses

Operating revenues and expenses generally result from activities related to the District's principal ongoing operations. The principal operating revenues of the District is from investment income. Grants and operating expenses include grants made, salaries and benefits, professional service costs, general and administrative expenses, insurance, and depreciation of capital assets.

Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentrations, Market, and Credit Risk

Financial instruments, which potentially subject the District to concentrations of credit risk, principally consist of cash and cash equivalents, and investments.

Cash and cash equivalents, and investment balances, at times, may exceed federally insured limits. The District has not incurred any credit losses on its cash and cash equivalent accounts or investments and does not believe that it is exposed to any significant credit risk thereon. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of net position.

Subsequent Events

The District's management has evaluated subsequent events for potential recognition or disclosure through February 15, 2022 which is the date the financial statements were issued.

NOTE 4 - CASH AND CASH EQUIVALENTS, INVESTMENTS, AND FAIR VALUE MEASUREMENT

At September 30, 2021 and 2020, the carrying value of the District's cash deposits in the operating and payroll checking accounts, and deposits invested in bank money market funds (considered cash equivalents), were approximately \$18,715,000 and \$1,501,000, respectively. The bank balances are held in a banking institution approved by the State of Florida Treasurer to hold public funds.

The composition of the District's cash and cash equivalents at September 30, 2021 and 2020 consists of the following:

	<u>2021</u>	<u>2020</u>
Cash	\$ 163,428	\$ 140,632
Money market funds	<u>18,551,106</u>	<u>1,360,019</u>
Total cash and cash equivalents	<u>\$ 18,714,534</u>	<u>\$ 1,500,651</u>

The District is authorized to invest in financial instruments in accordance with an investment policy approved by the District's Board. The policy specifies the authorized investment vehicles, which include U.S. Treasury and Agency securities, corporate bonds, mutual funds invested in fixed income or equity securities, limited partnerships, insurance contracts, and marketable real estate funds.

NOTE 4 - CASH, CASH EQUIVALENTS, INVESTMENTS, AND FAIR VALUE MEASUREMENT (Continued)

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, Level 3 inputs are significant unobservable inputs.

The following table sets forth the District's measurement of its investments at fair value as of September 30, 2021:

	<u>Fair Value Measurement Using</u>			
	<u>September 30, 2021</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>Investments by Fair Value Level</u>				
Cash and cash equivalents	\$ 204,418	\$ 204,418	\$ -	\$ -
<u>Debt securities</u>				
Corporate debt obligations	-	-	-	-
Government agency obligations	-	-	-	-
Foreign debt obligations	-	-	-	-
Municipal debt obligations	-	-	-	-
Total debt securities	-	-	-	-
<u>Equity securities</u>				
Mutual funds	25,260,638	25,260,638	-	-
Domestic common stock	2,807,609	2,807,609	-	-
Foreign stock	122,656	122,656	-	-
Marketable real estate funds	3,462,272	-	3,462,272	-
Total equity securities	31,653,175	28,190,903	3,462,272	-
Total investments by fair value level	<u>\$ 31,857,593</u>	<u>\$ 28,395,321</u>	<u>\$ 3,462,272</u>	<u>\$ -</u>

NOTE 4 - CASH, CASH EQUIVALENTS, INVESTMENTS, AND FAIR VALUE MEASUREMENT (Continued)

The following table sets forth the District's measurement of its investments at fair value as of September 30, 2020:

	<u>Fair Value Measurement Using</u>			
	<u>September 30, 2020</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>Investments by Fair Value Level</u>				
Cash and cash equivalents	\$ 91,403	\$ 91,403	\$ -	\$ -
<u>Debt securities</u>				
Corporate debt obligations	5,415,082	5,415,082	-	-
Government agency obligations	2,369,688	2,369,688	-	-
Foreign debt obligations	285,206	285,206	-	-
Municipal debt obligations	693,851	693,851	-	-
Total debt securities	<u>8,763,827</u>	<u>8,763,827</u>	<u>-</u>	<u>-</u>
<u>Equity securities</u>				
Mutual funds	47,074,090	47,074,090	-	-
Domestic common stock	7,304,953	7,304,953	-	-
Foreign stock	251,452	251,452	-	-
Marketable real estate funds	6,586,475	-	6,586,475	-
Total equity securities	<u>61,216,970</u>	<u>54,630,495</u>	<u>6,586,475</u>	<u>-</u>
Total investments by fair value level	<u>\$ 70,072,200</u>	<u>\$ 63,485,725</u>	<u>\$ 6,586,475</u>	<u>\$ -</u>

The cost basis of the investments approximated \$24,271,000 and \$61,304,000 at September 30, 2021 and 2020, respectively.

Investment Income (Loss)

The composition of the District's investment income (loss) for the years ended September 30, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Dividend and interest income, less fees of \$168,974 in 2021 and \$203,958 in 2020	\$ 1,130,606	\$ 1,937,502
Net realized gains	8,717,133	6,880,030
Change in net unrealized losses	(1,181,134)	(2,156,049)
Total investment income, net	<u>\$ 8,666,605</u>	<u>\$ 6,661,483</u>

NOTE 4 - CASH, CASH EQUIVALENTS, INVESTMENTS, AND FAIR VALUE MEASUREMENT (Continued)

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. To manage custodial credit risk, the District has executed a Third-Party Custodial Safekeeping Agreement with a commercial bank’s trust department separately chartered by the U.S. Government. All securities purchased by the District are properly designated as an asset of the District and are held in safekeeping by the bank’s trust department.

Interest Rate Risk

Interest rate risk is the risk that as market rates change, the fair value of an investment will vary. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in the market interest rates. The District’s formal investment policy ensures that securities mature to meet operating cash requirements to avoid the need to sell on the open market prior to maturity. In addition, the policy allows the District to maintain a liquid pool of assets to serve as a reserve fund for its operating cash requirements. The reserve fund invests primarily in shorter-term securities, from which funds can be readily withdrawn without penalty.

NOTE 5 - HEALTHCARE GRANTS PAYABLE

Healthcare grants payable presented in the statements of net position at September 30, 2021 and 2020 consist of the following:

Grantee	Program	2021	2020
Health Council of E. Cent FL	Healthy, Happy, and at Home	\$ 94,600	\$ 62,000
Rotary Club of Windermere	Community Center Health	800,000	-
Henry Nehrling Society, Inc.	Nehrling Garden Health Education	750,000	-
Healthy Start Coalition	Nurse-family partnership	200,000	48,854
Polis Institute	K-ready and Place based projects	-	62,004
City of Ocoee	Waypoint Fitness/Nutrition Trails	3,000,000	-
OHCI	Skilled Nursing Facility and Campus Center	-	3,944,845
Do Good Farm	Farm-to-table Farm/Education	-	50,000
IMPOWER	Champion’s program	30,000	180,000
The Public Good Projects	Health Communication	50,006	431,546
	Total healthcare grants payable	\$ 4,924,606	\$ 4,779,249

NOTE 6 - COMMITMENTS AND CONTINGENT LIABILITIES

Operating Lease

The District entered into a month-to-month lease with OHCI for the use of office space. The lease can be terminated by either party at will. Rent expense was approximately \$1,000 and \$12,000 for the years ended September 30, 2021 and 2020, respectively. During the year ended of September 30, 2021, this lease was terminated.

Professional Liability Claims

Effective December 1, 2001, the District became self-insured for professional liability up to the established sovereign immunity limits. The District had employed an independent actuary to estimate the ultimate costs of the settlement of known claims and incidents, as well as unreported incidents that may be asserted arising from services rendered to patients through March 31, 2012. Accrued professional liability reserves have not been discounted and, in management's opinion, provide an adequate reserve for loss contingencies.

Claims in excess of sovereign immunity limits require legislative approval, as established in Florida Statutes, Chapter 768, and are not specifically recorded as a probable professional liability claims loss. The liabilities for potential professional liability claims were estimated, based on advice of legal counsel, at approximately \$270,000 as of September 30, 2020. During the year ended September 30, 2021, the only known claim was settled for less than the liability recorded. The accrual, as of September 30, 2020, had been included in non-current liabilities, as these matters are generally not expected to be settled during the following year. The reconciliation of activity related to the professional liability accrual as of September 30, 2021 and 2020 is approximately as follows:

	<u>Liabilities at September 30, 2020</u>	<u>Payments/ Adjustments</u>	<u>Liabilities at September 30, 2021</u>
Estimated claims payable	\$ 270,000	\$ (270,000)	\$ -

	<u>Liabilities at September 30, 2019</u>	<u>Payments/ Adjustments</u>	<u>Liabilities at September 30, 2020</u>
Estimated claims payable	\$ 284,000	\$ (14,000)	\$ 270,000

Employee Benefit Plans

The District sponsors medical insurance plans, a Flexible Spending Account ("FSA") plan, and a defined contribution 401(k) retirement plan for its staff members. The District's expense for the medical insurance plans was approximately \$4,000 and \$13,000 for the years ended September 30, 2021 and 2020, respectively. The District makes no contributions to the FSA plan. The District's contributions to the 401(k) retirement plan were approximately \$20,000 and \$22,000 for the years ended September 30, 2021 and 2020, respectively.

NOTE 6 - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

Conditional Grants

Grants are considered conditional if ultimate payment is dependent on the outcome of future events. The District has entered into a number of grant agreements under which it reimburses grantees for construction costs that the grantees have incurred. At September 30, 2021, the District reports conditional grant obligations approximately as follows:

Grant	Original Award	Amount Funded to Date	Conditional Obligation at September 30, 2021
Orlando Health Central, Inc. 100-bed skilled nursing facility	\$ 24,500,000	\$ 24,500,000	\$ -
Cancer treatment center	21,000,000	21,000,000	-
Health and wellness center	29,700,000	29,700,000	-
Total Orlando Health Central, Inc.	75,200,000	75,200,000	-
Cornerstone Hospice Fnd. OHCI cancer center	1,250,000	1,250,000	-
City of Winter Garden Tucker Ranch	6,000,000	-	6,000,000
United Cerebral Palsy West Orange campus	1,500,000	1,125,000	-
Town of Oakland Arts and heritage center	1,000,000	1,000,000	-
Other Grants	500,000	250,000	250,000
Total	\$ 85,450,000	\$ 78,825,000	\$ 6,250,000

Related Party

HWO, Inc. was established as a not-for-profit entity in the State of Florida. As of September 30, 2021, the majority of the HWO, Inc. Board of Directors was comprised of members of the District's Board. HWO, Inc. has received grants from the District, with additional grants to continue. During the year ended September 30, 2020, the District granted HWO, Inc. a \$10 million grant, which was issued to provide operating and capital funding. Also, a \$40 million grant was issued to HWO, Inc. to serve as the corpus of an endowment fund to provide administrative and operational resources to sustain HWO, Inc. healthy community initiatives. This grant's conditions were met, and the funds were provided during the year ended September 30, 2021. Finally, the District has granted a building and land to HWO, Inc., pending final settlement with the contractor, which is expected in the near future. The building and land have an estimate of \$6.9 million.



Certified Public Accountants

**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***

To the Board of Trustees and Finance Committee of
West Orange Healthcare District
Ocoee, Florida

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 West Orange Healthcare District (the "District") as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 15, 2022.

Internal Control over Financial Reporting

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 an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

To the Board of Trustees and Finance Committee of
West Orange Healthcare District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

MSL, P.A.

Certified Public Accountants

Orlando, Florida
February 15, 2022



Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REPORT

To the Board of Trustees and Finance Committee of
West Orange Healthcare District
Ocoee, Florida

We have examined the compliance of West Orange Healthcare District (the "District") with the requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2021. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2021.

MSL, P.A.

Certified Public Accountants

Orlando, Florida
February 15, 2022



Certified Public Accountants

MANAGEMENT LETTER

To the Board of Trustees and Finance Committee of
West Orange Healthcare District
Ocoee, Florida

Report on the Financial Statements

We have audited the financial statements of West Orange Healthcare District (the “District”) as of and for the fiscal year ended September 30, 2021, and have issued our report thereon dated February 15, 2022.

Auditor’s Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Chapter 10.550, *Rules of the Auditor General*.

Other Reports

We have issued our 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* and Independent Accountant’s Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, which are dated February 15, 2022, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. In connection with its previous audit, the District was not provided any such recommendations.

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The legal authority is disclosed in the notes to the financial statements.

Financial Condition

Sections 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General*, require that we apply appropriate procedures and report the results of our determination as to whether or not the District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based, in part, on representations made by management and the review of financial information provided by same.

Annual Financial Report

Sections 10.554(1)(i)5.b. and 10.556(7), *Rules of the Auditor General*, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the District for the fiscal year ended September 30, 2021, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2021. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address noncompliance with provisions of contracts and grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

The following additional unaudited information is required by Sections 218.39(3)(c), and 218.32(1)(e)2-3 of the Florida Statutes:

1. The total number of district employees compensated in the last pay period of the fiscal year - three.
2. The total number of independent contractors compensated in the last month of the fiscal year - none.
3. All compensation paid or accrued to employees - \$285,485.
4. All compensation paid or accrued to independent contractors - \$1732.
5. Each construction project with cost of at least \$65,000 approved by the district and scheduled to begin after October 1 of the reporting year and total expenditures of such project - none.
6. A budget variance report based on the budget adopted under section 189.016(6), Florida Statutes - there was no amended budget. The budget variance report for FYE September 30, 2021 is included as Attachment A.

To the Board of Trustees and Finance Committee of
West Orange Healthcare District

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, federal and other granting agencies, the Board of Trustees and Finance Committee, and applicable management, and is not intended to be, and should not be, used by anyone other than these specified parties.

MSL, P.A.

Certified Public Accountants

Orlando, Florida
February 15, 2022

Attachment A

West Orange Healthcare District
Budget Variance Report
9/30/2021

	Year to Date		
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
REVENUES			
Investment Income			
Dividends & Interest	1,264,612.45	80,850.00	1,183,762.45
Realized Gains (Losses)	9,345,280.77	15,000.00	9,330,280.77
Unrealized Gains (Losses)	(1,801,249.02)	-	(1,801,249.02)
Investment Mgt Fees	(158,259.43)	(15,000.00)	(143,259.43)
	<u>8,650,384.77</u>	<u>80,850.00</u>	<u>8,569,534.77</u>
		-	
Mgt & Adm Services to HWO, Inc	121,495.00	121,704.00	(209.00)
Other Revenue	156,694.36	-	156,694.36
Total Revenues	<u>8,928,574.13</u>	<u>202,554.00</u>	<u>8,726,020.13</u>
EXPENSES			
Compensation & Benefits:			
Salaries & Wages	285,485.19	260,000.00	25,485.19
FICA Taxes-Employer	17,563.75	15,100.00	2,463.75
Health Insurance/Benefits	3,581.11	11,850.00	(8,268.89)
Retirement Plan Match	19,685.94	18,200.00	1,485.94
Staff Training & Education	-	10,000.00	(10,000.00)
	<u>326,315.99</u>	<u>315,150.00</u>	<u>11,165.99</u>
Board of Trustees			
		-	
Board & Committee Mtg Expense	5,405.00	15,000.00	(9,595.00)
Education & Seminars	10,165.82	15,000.00	(4,834.18)
Retreat	-	12,000.00	(12,000.00)
Recognition & Awards	4,127.48	7,500.00	(3,372.52)
	<u>19,698.30</u>	<u>49,500.00</u>	<u>(29,801.70)</u>
Office Occupancy			
Rents & Leases	1,353.79		1,353.79
Property Insurance	13,761.10		13,761.10
Security	764.10		764.10
Other Occupancy Expense	3,650.00		3,650.00
	<u>19,528.99</u>	-	<u>19,528.99</u>
General & Administrative			
Accounting & Auditing	15,000.00	30,000.00	(15,000.00)
Communication Services	2,790.50	8,000.00	(5,209.50)
Community Relations	21,493.46	30,000.00	(8,506.54)
Consultants' Fees	32,729.50	15,000.00	17,729.50
Depreciation	10,563.39	11,820.00	(1,256.61)
Freight & Postage	431.13	1,000.00	(568.87)
Legal Fees	96,353.05	50,000.00	46,353.05
Liability/Bonds Insurance	23,942.38	24,000.00	(57.62)
Mgt & Adm Services from HWO, Inc.	69,720.00	69,312.00	408.00
Memberships	4,172.00	5,000.00	(828.00)
Office Supplies	7,902.87	10,000.00	(2,097.13)
Other Purchased Services	73,549.18	70,360.00	3,189.18
Printing & Binding		1,500.00	(1,500.00)
Publications & Subscriptions	507.87	1,000.00	(492.13)
Taxes & Licenses	3,620.65	3,500.00	120.65
Travel & Meals	635.79	5,000.00	(4,364.21)
Other Expenses	464.68	1,000.00	(535.32)
	<u>363,876.45</u>	<u>336,492.00</u>	<u>27,384.45</u>
		-	
Total Expenses	<u>729,419.73</u>	<u>701,142.00</u>	<u>28,277.73</u>
		-	
HEALTH INITIATIVES			
Grants-Exhibit A	27,675,807.46	30,000,000.00	(2,324,192.54)
Other Health Initiatives	2,024.00		2,024.00
Total Health Initiatives	<u>27,677,831.46</u>	<u>30,000,000.00</u>	<u>(2,322,168.54)</u>
TOTAL EXPENSES & INITIATIVES			
	<u>28,407,251.19</u>	<u>30,701,142.00</u>	<u>(2,293,890.81)</u>
Excess of Revenues			
Over (Under) Expenditures	<u>(19,478,677.06)</u>	<u>(30,498,588.00)</u>	<u>11,019,910.94</u>