

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

FINANCIAL STATEMENTS

Years Ended September 30, 2022 and 2021

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Acting Management of
West Orange Healthcare District
Ocoee, Florida

Opinion

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, 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 financial statements present fairly, in all material respects, the financial position of West Orange Healthcare District as of September 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

To the Acting Management of
West Orange Healthcare District

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

To the Acting Management of
West Orange Healthcare District

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 7, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

MSL, P.A.

Certified Public Accountants

Orlando, Florida
February 7, 2023

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended September 30, 2022 and 2021

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, 2022 and 2021. 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 District has decided to dissolve and is in the process of legally being dissolved, as part of that process all assets of the District have been transferred as grants to other entities and no further liabilities are being incurred. 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 at September 30, 2021. Net position was zero at September 30, 2022.
- The District's net position decreased \$52,503,535 and \$19,478,677 in total as a result of operations for the years ended September 30, 2022 and 2021, respectively.
- The District's cash and cash equivalents balance was \$18,714,534 at September 30, 2021. The District had no cash and cash equivalents at September 30, 2022.
- Interest and dividend income on the District's funds related to its cash equivalents and investment portfolios was \$98,243 and \$1,130,606 for the years ended September 30, 2022 and 2021, respectively. Realized gains and losses, and the change in net unrealized gains (losses) on investments were \$259,591 and \$7,535,999 for the years ended September 30, 2022 and 2021, respectively.
- The District approved and paid grant funding during the years ended September 30, 2022 and 2021 of \$52,281,136 and \$27,692,058, respectively.
- Operating expenses were \$715,147 and \$731,413 for the years ended September 30, 2022 and 2021, respectively.

Summary of Conditional Grant Funding Obligations

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. \$431,129 was incurred on this grant through the end of fiscal year 2022. The remaining amount of the grant has been transferred to HWO, Inc to facilitate providing for the City of Winter Garden's remaining needs regarding this grant as of September 30, 2022. There is no conditional grant commitment by the District at September 30, 2022.

There was no conditional grant funding to be provided by the District for the projects described above as all funding has been provided or transferred to HWO, Inc. to conclude the funding needs.

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, 2022 and 2021, 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, 2022 and 2021, assets exceeded liabilities by \$-0- and \$52,503,535, respectively. The following is a summary of the District's net position at September 30, 2022 and 2021:

| | <u>2022</u> | <u>2021</u> |
|----------------------------------|-------------|----------------------|
| Assets: | | |
| Current assets | \$ - | \$ 18,725,674 |
| Non-current assets | - | 38,878,185 |
| Total Assets | <u>\$ -</u> | <u>\$ 57,603,859</u> |
| Liabilities: | | |
| Current liabilities | \$ - | \$ 5,100,324 |
| Long-term liabilities | - | - |
| Total Liabilities | <u>\$ -</u> | <u>\$ 5,100,324</u> |
| Net Position: | | |
| Net investment in capital assets | \$ - | \$ 7,019,852 |
| Restricted | - | 6,250,000 |
| Unrestricted | - | 39,233,683 |
| Total Net Position | <u>\$ -</u> | <u>\$ 52,503,535</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, 2022 and 2021:

| | <u>2022</u> | <u>2021</u> |
|---|---------------------|----------------------|
| Operating Revenues | | |
| Interest and dividends from investments | \$ 98,243 | \$ 1,130,606 |
| Change in net unrealized/realized gains (losses) on investments | 259,591 | 7,535,999 |
| Miscellaneous income | 134,914 | 278,189 |
| Total Operating Revenues | <u>492,748</u> | <u>8,944,794</u> |
| Grants and Operating Expenses | | |
| Health grant contributions | 52,281,136 | 27,692,058 |
| Payroll and related benefits | 388,627 | 326,316 |
| Professional and consulting fees | 128,861 | 144,083 |
| General and administrative | 156,158 | 210,724 |
| Insurance and depreciation | 41,501 | 48,266 |
| Healthy West Orange initiative | - | 2,024 |
| Total Grants and Operating Expenses | <u>52,996,283</u> | <u>28,423,471</u> |
| Change in Net Position | (52,503,535) | (19,478,677) |
| Net position – Beginning of Year | <u>52,503,535</u> | <u>71,982,212</u> |
| Net position – End of Year | <u>\$ -</u> | <u>\$ 52,503,535</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, Foundation for a Healthier West Orange, 1200 East Plant St., Suite 200, Winter Garden, FL 34787.

WEST ORANGE HEALTHCARE DISTRICT

STATEMENTS OF NET POSITION

September 30, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|--|-------------|----------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ - | \$ 18,714,534 |
| Prepaid expenses and other current assets | - | 11,140 |
| | <u>-</u> | <u>18,725,674</u> |
| TOTAL CURRENT ASSETS | | |
| Non-current Assets | | |
| Investments | | |
| Restricted | - | 6,250,000 |
| Unrestricted | - | 25,607,593 |
| Capital Assets: | | |
| Land and building construction in progress | - | 6,996,666 |
| Equipment, furniture and fixtures | - | 84,494 |
| Less: Accumulated depreciation | - | (61,308) |
| | <u>-</u> | <u>7,019,852</u> |
| TOTAL CAPITAL ASSETS | | |
| Other non-current assets | - | 740 |
| | <u>-</u> | <u>740</u> |
| TOTAL ASSETS | | |
| | <u>-</u> | <u>57,603,859</u> |
| LIABILITIES | | |
| Current Liabilities | | |
| Accrued expenses | - | 175,718 |
| Health grants payable | - | 4,924,606 |
| | <u>-</u> | <u>5,100,324</u> |
| TOTAL LIABILITIES | | |
| | <u>-</u> | <u>5,100,324</u> |
| NET POSITION | | |
| Net investment in capital assets | - | 7,019,852 |
| Restricted conditional grant commitments | - | 6,250,000 |
| Unrestricted | - | 39,233,683 |
| | <u>-</u> | <u>39,233,683</u> |
| TOTAL NET POSITION | | |
| | <u>\$ -</u> | <u>\$ 52,503,535</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, 2022 and 2021

| | 2022 | 2021 |
|--|--------------|---------------|
| OPERATING REVENUES | | |
| Interest and dividends from investments | \$ 98,243 | \$ 1,130,606 |
| Change in net unrealized/realized gains (losses) on investments | 259,591 | 7,535,999 |
| Miscellaneous income | 134,914 | 278,189 |
| TOTAL OPERATING REVENUES | 492,748 | 8,944,794 |
| GRANTS AND OPERATING EXPENSES | | |
| Health grant contributions | 52,281,136 | 27,692,058 |
| Operating Expenses: | | |
| Salaries and wages | 346,229 | 285,485 |
| Professional and consulting fees | 114,883 | 111,353 |
| General and administrative | 156,158 | 210,724 |
| Employee benefits | 42,398 | 40,831 |
| Insurance | 36,812 | 37,703 |
| Depreciation | 4,689 | 10,563 |
| Consulting fees | 13,978 | 32,730 |
| Healthy West Orange Initiative | - | 2,024 |
| TOTAL OPERATING EXPENSES | 715,147 | 731,413 |
| TOTAL GRANTS AND OPERATING EXPENSES | 52,996,283 | 28,423,471 |
| CHANGE IN NET POSITION | (52,503,535) | (19,478,677) |
| NET POSITION - BEGINNING OF YEAR | 52,503,535 | 71,982,212 |
| NET POSITION - END OF YEAR | \$ - | \$ 52,503,535 |

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

WEST ORANGE HEALTHCARE DISTRICT

STATEMENTS OF CASH FLOWS

Years Ended September 30, 2022 and 2021

| | 2022 | 2021 |
|---|-----------------|-----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Interest, dividends and other income | \$ 1,286,254 | \$ 10,125,928 |
| Cash payments for health grants | (50,190,579) | (27,546,701) |
| Cash payments to suppliers and vendors | (528,067) | (531,524) |
| Cash payments to employees | (346,229) | (285,485) |
| | (49,778,621) | (18,237,782) |
| NET CASH USED IN OPERATING ACTIVITIES | | |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Acquisition of capital assets | - | (1,581,808) |
| | - | (1,581,808) |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Changes in investments | 31,064,087 | 37,033,473 |
| | 31,064,087 | 37,033,473 |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (18,714,534) | 17,213,883 |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | 18,714,534 | 1,500,651 |
| | 18,714,534 | 1,500,651 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ - | \$ 18,714,534 |
| RECONCILIATION OF CHANGE IN NET POSITION TO | | |
| NET CASH USED IN OPERATING ACTIVITIES | | |
| Change in net position | \$ (52,503,535) | \$ (19,478,677) |
| Adjustments to reconcile net cash used in operating activities: | | |
| Depreciation expense | 4,689 | 10,563 |
| Change in net unrealized (gains) losses on investments | 793,506 | 1,181,134 |
| Contribution of capital assets to HWO, Inc. | 7,015,163 | - |
| Decrease (increase) in: | | |
| Prepaid expenses and other assets | 11,880 | 45,343 |
| Increase (decrease) in: | | |
| Accrued liabilities | (175,718) | (141,502) |
| Grants payable | (4,924,606) | 145,357 |
| | (4,924,606) | 145,357 |
| NET CASH USED IN OPERATING ACTIVITIES | \$ (49,778,621) | \$ (18,237,782) |

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, 2022 and 2021

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”) was originally 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 1 - HISTORY AND BACKGROUND OF THE DISTRICT (Continued)

From the APA in 2012 through the planned dissolution of the District, the trustees of the District have used the proceeds along with associated investment returns from those funds to provide funding to improve the health and well-being of the West Orange community. This was done through impacting healthcare access, health and wellness prevention, and supporting uninsured, underinsured, and special needs residents. These areas provided support that was deemed critical by the trustees for children, healthy food, mental health, and support for expectant mothers.

During 2022, the Board of Directors of the District decided to begin the process of dissolving the district and the remaining assets and grants payable were transferred to HWO, Inc. (see Note 7).

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, 2022 and 2021 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

Following is a summary of the significant accounting policies followed by the District prior to its winddown. Some may no longer be applicable as of September 30, 2022.

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.

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).

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 7, 2023, which is the date the financial statements were issued. See Note 7 for relevant disclosures. No other subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

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

At September 30, 2021, 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. 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 consists of the following:

| | |
|---------------------------------|----------------------|
| Cash | \$ 163,428 |
| Money market funds | <u>18,551,106</u> |
| Total cash and cash equivalents | <u>\$ 18,714,534</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.

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.

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, 2021:

| | <u>Fair Value Measurement Using</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 | \$ 31,857,593 | \$ 28,395,321 | \$ 3,462,272 | \$ - |

The cost basis of the investments approximated \$24,271,000 at September 30, 2021.

Investment Income (Loss)

The composition of the District's investment income (loss) for the years ended September 30, 2022 and 2021 is as follows:

| | <u>2022</u> | <u>2021</u> |
|--|-------------------|---------------------|
| Dividend and interest income, less fees of \$27,132 in 2022 and \$168,974 in 2021 | \$ 98,243 | \$ 1,130,606 |
| Net realized gains | 1,053,097 | 8,717,133 |
| Change in net unrealized losses | (793,506) | (1,181,134) |
| Total investment income, net | <u>\$ 357,834</u> | <u>\$ 8,666,605</u> |

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.

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

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 consist of the following:

| <u>Grantee</u> | <u>Program</u> | |
|---------------------------------|-----------------------------------|---------------------|
| Health Council of E. Cent FL | Healthy, Happy, and at Home | \$ 94,600 |
| 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 |
| City of Ocoee | Waypoint Fitness/Nutrition Trails | 3,000,000 |
| IMPOWER | Champion’s program | 30,000 |
| The Public Good Projects | Health Communication | 50,006 |
| Total healthcare grants payable | | <u>\$ 4,924,606</u> |

The District has transferred the assets required to address any remaining grants payable and conditional grants to HWO, Inc., who will assume responsibility for paying and concluding the grants (see Note 6).

NOTE 6 - COMMITMENTS AND CONTINGENT LIABILITIES

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.

NOTE 6 - COMMITMENTS AND CONTINGENT LIABILITIES

Professional Liability Claims (Continued)

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. During the year ended September 30, 2021, the only known claim was settled for less than the liability recorded. The reconciliation of activity related to the professional liability accrual as of September 30, 2021 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) | \$ - |

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 \$5,000 and \$4,000 for the years ended September 30, 2022 and 2021, respectively. The District makes no contributions to the FSA plan. The District’s contributions to the 401(k) retirement plan were approximately \$22,000 and \$20,000 for the years ended September 30, 2022 and 2021, respectively.

Related Party

HWO, Inc. was established as a not-for-profit entity in the State of Florida. As of September 30, 2022, half of the HWO, Inc. Board of Directors was comprised of members of the District’s Board. 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. During the year ended September 30, 2022, the District granted HWO, Inc. various grants totaling approximately \$24,250,000, which were issued to provide operating funding for various initiatives. Finally, the District has granted a building and land to HWO, Inc., pending final settlement with the contractor, which occurred during the year ended September 30, 2022. The building and land have an estimate of approximately \$7 million. The District has transferred the assets required to address any remaining grants payable and conditional grants to HWO, Inc., who will assume responsibility for paying and concluding the grants.

NOTE 7 - DISSOLUTION

The District is planning to be dissolved in 2023 as its primary operations have been completed and any additional grants payable and funds have been transferred to HWO, Inc. and are reflected on the statement of net position as of September 30, 2022. In September 2022, having believed to have fulfilled their responsibilities associated with the District, the trustees of the District resigned and their resignations were subsequently accepted by the governor of the State of Florida. In January 2023, the District's status was changed from active to inactive as part of the planned dissolution process. The dissolution will need to be approved by the state legislature and governor and is expected to occur in 2023.



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 Acting Management 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, 2022, 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 7, 2023.

Report on 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 Acting Management of
West Orange Healthcare District

Report on 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 7, 2023



INDEPENDENT ACCOUNTANT'S REPORT

To the Acting Management 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, 2022. 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, 2022.

MSL, P.A.

Certified Public Accountants

Orlando, Florida
February 7, 2023



MANAGEMENT LETTER

To the Acting Management 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, 2022, and have issued our report thereon dated February 7, 2023.

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 7, 2023, 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.

To the Acting Management of
West Orange Healthcare District

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, 2022, 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, 2022. 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.

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 7, 2023