# CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY BOND FINANCING PROGRAM FUND

## FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT

## YEARS ENDED JUNE 30, 2020 AND 2019

# CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
# BOND FINANCING PROGRAM FUND

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## JUNE 30, 2020 AND 2019

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# INDEPENDENT AUDITOR'S REPORT

**CHFFA Members**
**California Health Facilities Financing Authority**
**Sacramento, California**

## Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the California Health Facilities Financing Authority's (CHFFA) Bond Financing Program Fund (CHFFA Bond Program), a related organization of the State of California, as of and for the years ended June 30, 2020 and 2019, and the related notes to financial statements, which collectively comprise the CHFFA Bond Program's basic financial statements as listed in the table of contents.

### *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 from 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 audit to obtain reasonable assurance about whether the financial statements are free from 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.



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### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the CHFFA Bond Program as of June 30, 2020 and 2019, and the changes in financial position and cash flows thereof 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, Schedule of CHFFA Bond Program's Proportionate Share of the Net Pension Liability, Schedule of CHFFA Bond Program's Pension Contributions, Schedule of CHFFA Bond Program's Proportionate Share of the Net OPEB Liability, and Schedule of CHFFA Bond Program's Contributions, Other Postemployment Benefit Plan on pages 4-8, 30, 31, 32, and 33, respectively, 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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the CHFFA Bond Program's basic financial statements. The Statement of Bonds and Collateralized Notes, Authorized, Issued, and Outstanding is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Statement of Bonds and Collateralized Notes Authorized, Issued, and Outstanding is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Statement of Bonds and Collateralized Notes Authorized, Issued, and Outstanding is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### *Emphasis of Matter*

As discussed in Note 1, the financial statements present only the CHFFA Bond Financing Program Fund and do not purport to, and do not present fairly the financial position of CHFFA, as of June 30, 2020 and 2019, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2021 on our consideration of the CHFFA Bond Program'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 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 CHFFA Bond Program's internal control over financial reporting and compliance.

Gilbert CPAs

**GILBERT CPAs**
**Sacramento, California**

**November 3, 2021**

This section of the financial statements of the California Health Facilities Financing Authority (CHFFA) presents management's discussion and analysis of the financial performance during the fiscal years that ended on June 30, 2020 and 2019. Please read it in conjunction with the financial statements that follow this section.

## GENERAL BACKGROUND, OVERVIEW AND PROGRAMS

CHFFA was established in 1979 and was created to be the State's vehicle for providing financial assistance to public and non-profit health care providers in our State through loans funded by the issuance of tax-exempt bonds.

The diverse nature of the facilities funded by CHFFA reflects the changing health care needs of the State. From rural community-based organizations to large multi-hospital systems, CHFFA has financed a wide range of providers and programs throughout California.

### Conduit Financing Activity

During the fiscal years ended June 30, 2020 and June 30, 2019, CHFFA issued bonds totaling $1,703,945,000 and $83,335,000, respectively. As of June 30, 2020, CHFFA's total conduit debt issued was approximately $43 billion, and the total conduit debt outstanding was approximately $18 billion. As of June 30, 2019, CHFFA's total conduit debt issued was approximately $42 billion, and total conduit debt outstanding was approximately $17 billion.

## OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements of CHFFA include the Independent Auditor's Report, Management's Discussion and Analysis (MD&A), basic financial statements, accompanying notes and supplemental information.

## REQUIRED FINANCIAL STATEMENTS

CHFFA's financial statements report information using accounting methods similar to those used by private sector companies. These statements offer both short-term and long-term financial information about its activities.

The ***Balance Sheets*** include CHFFA's assets, liabilities, and net position for the fiscal years ended June 30, 2020 and 2019 and provide information about the nature and amounts of investments in resources (assets) and the obligations to CHFFA's creditors (liabilities) (see Table 1).

**Table 1**
Balance Sheets

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| ***Assets*** | | | |
| Current Assets | $ 10,236,898 | $ 9,643,608 | $ 10,258,083 |
| **Total Assets** | 10,236,898 | 9,643,608 | 10,258,083 |
| ***Deferred Outflows of Resources*** | 730,629 | 562,684 | 956,408 |
| **Total Assets and Deferred Outflows of Resources** | $ 10,967,527 | $ 10,206,292 | $ 11,214,491 |
| **Liabilities** | | | |
| Current Liabilities | $ 411,857 | $ 308,681 | $ 132,093 |
| Non-Current Liabilities | 3,532,674 | 3,907,248 | 6,721,217 |
| **Total Liabilities** | 3,944,531 | 4,215,929 | 6,853,310 |
| ***Deferred Inflows of Resources*** | 189,813 | 560,963 | 403,175 |
| ***Net Position*** | | | |
| Restricted for purposes specified in enabling legislation | 6,833,183 | 5,429,400 | 3,958,006 |
| **Total Liabilities, Deferred Inflows of Resources, and Net Position** | $ 10,967,527 | $ 10,206,292 | $ 11,214,491 |

CHFFA's Total Liabilities, Deferred Inflows of Resources, and Net Position was $10,967,527 as of June 30, 2020, which was a slight increase from $10,206,292 as of June 30, 2019. The Total Assets and Deferred Outflows of Resources as of June 30, 2020 exhibited an increase in cash due to a decrease in the amount of Accounts Receivable. CHFFA increased its efforts to collect outstanding Accounts Receivable. There was also an increase in Deferred Outflows of Resources related to pensions and OPEB.

The ***Statements of Revenues, Expenses, and Changes in Net Position*** account for all of the revenue earned and expenses incurred by CHFFA for the fiscal years ended June 30, 2020 and 2019. These statements reflect the results of CHFFA's operations in each of the respective years (see Table 2).

**Table 2**

Statements of Revenues, Expenses, and Changes In Net Position

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| **Operating Revenues** | | | |
| Fee revenue | $ 2,738,650 | $ 1,828,024 | $ 1,662,591 |
| Total Operating Revenues | 2,738,650 | 1,828,024 | 1,662,591 |
| **Operating Expenses** | | | |
| Personnel | 1,232,576 | 1,090,645 | 1,011,968 |
| Pension and OPEB | (579,559) | (1,851,215) | 603,763 |
| Operating expenses | 805,579 | 1,278,454 | 1,127,723 |
| Total operating expenses | 1,458,596 | 517,884 | 2,743,454 |
| **Operating Income (Loss)** | 1,280,054 | 1,310,140 | (1,080,863) |
| **Non-Operating Revenues** | | | |
| Interest income | 123,729 | 161,254 | 106,927 |
| **Change in Net Position** | 1,403,783 | 1,471,394 | (973,936) |
| ***Net Position - Beginning of Year, as restated in FY 2018*** | 5,429,400 | 3,958,006 | 4,931,942 |
| ***Net Position - End of Year*** | $ 6,833,183 | $ 5,429,400 | $ 3,958,006 |

For the fiscal year ended June 30, 2020, CHFFA's Change in Net Position of $1,403,783 reflects a slight decrease from fiscal year ended June 30, 2019. This decrease can be attributed to higher total operating expenses. It should be noted that fiscal year ended June 30, 2019 reflects a significant decrease in total operating expenses as a result of a one-time change of CHFFA's proportionate share of OPEB liabilities due to a change in the basis for determining each fund's share. The change in liabilities was recorded all at once rather than amortized, and these liabilities account for the one-time significant decrease in total operating expenses in fiscal year ended June 30, 2019. In fiscal year ended June 30, 2020, salary and wages increased while operating expenses decreased from the previous fiscal year. Although operating income slightly decreased in fiscal year ended June 30, 2020, total operating revenues increased. Total operating revenues for fiscal year ended June 30, 2020 was $2,738,650, an increase of $910,626 from the previous year. The increase is due to the collection of old Accounts Receivable and an increase in issuance fees due to the higher par values of bonds issued in fiscal year ended June 30, 2020. CHFFA had the same number of bond issuances in fiscal year ended June 30, 2020 compared to the previous year. However, the amounts issued were much larger than the previous year. In addition, there was an increase in the amount of issuance fees due to the No Place Like Home Bonds that were issued in November 2019 in the amount of $500,000,000.

The ***Statements of Cash Flows*** provide information about CHFFA's cash receipts and cash payments during the years ended June 30, 2020 and 2019. These statements report cash receipts, cash payments, and net changes in cash resulting from operations, capital and related financing, noncapital financing and investment activities. The statements provide answers to questions of where cash came from, what cash was used for, and what caused changes in cash for the reporting period covered (see Table 3).

**Table 3**

Statements of Cash Flows

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| **Cash Flows From Operating Activities** | | | |
| Net cash provided (used) by operating activities | $ 1,360,643 | $ (2,133,313) | $ (483,179) |
| **Cash Flows from Investing Activities** | | | |
| Net cash provided by investing activities | 137,756 | 155,519 | 93,028 |
| **Net Increase (Decrease) in Cash and Cash Equivalents** | 1,498,399 | (1,977,794) | (390,151) |
| **Beginning Cash and Cash Equivalents** | 6,754,911 | 8,732,705 | 9,122,856 |
| **Ending Cash and Cash Equivalents** | $ 8,253,310 | $ 6,754,911 | $ 8,732,705 |

The Ending Cash and Cash Equivalents increased in fiscal year ended June 30, 2020 from $6,754,911 to $8,253,310. This net increase is primarily due to an increased amount of receipts from fees, much of which is attributable to funds from outstanding Accounts Receivable and Annual Administrative Fees that were billed in fiscal year ended June 30, 2019 but collected in fiscal year ended June 30, 2020. In addition, in the fiscal year ended June 30, 2020, there were fewer payments to suppliers of goods and services.

## ANALYSIS OF FISCAL YEAR (FY) 2019/2020 ACTIVITIES

| | |
|---|---|
| **Applications received in FY 2019/2020:** | **5** |
| **Final Resolutions Adopted in FY 2019/2020:** | **5** |
| **Bonds Sold in FY 2019/2020:** | **$1,703,945,000** |

## ANALYSIS OF FISCAL YEAR 2018/2019 ACTIVITIES

| | |
|---|---|
| **Applications received in FY 2018/2019:** | **5** |
| **Final Resolutions Adopted in FY 2018/2019:** | **5** |
| **Bonds Sold in FY 2018/2019:** | **$83,335,000** |

## REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of CHFFA's financial position and is intended for distribution to a variety of interested parties. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director, California Health Facilities Financing Authority, 915 Capitol Mall, Suite 435, Sacramento, California 95814.

# CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
# BOND FINANCING PROGRAM FUND

## BALANCE SHEETS
## JUNE 30, 2020 AND 2019

| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | 2020 | 2019 |
|---|---|---|
| **CURRENT ASSETS:** | | |
| Cash and Cash Equivalents in the State Treasury | $ 8,253,310 | $ 6,542,778 |
| Restricted Cash | - | 212,133 |
| Accounts Receivable (Net) | 1,870,623 | 2,626,473 |
| Due from External Funds | 112,965 | 262,224 |
| Total Current Assets | 10,236,898 | 9,643,608 |
| **TOTAL ASSETS** | 10,236,898 | 9,643,608 |
| **DEFERRED OUTFLOWS OF RESOURCES:** | | |
| Deferred Outflows of Resources Related to Pensions | 623,518 | 538,261 |
| Deferred Outflows of Resources Related to OPEB | 107,111 | 24,423 |
| Total Deferred Outflows of Resources | 730,629 | 562,684 |
| **TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES** | $ 10,967,527 | $ 10,206,292 |
| **LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION** | | |
| **CURRENT LIABILITIES:** | | |
| Accounts Payable | $ 21,005 | $ 26,711 |
| Due to State - External Funds | 304,821 | 167,787 |
| Current Accrued Vacation | 42,120 | 97,460 |
| Loan Payable - SMIF (SB 84) | 43,911 | 16,723 |
| Total Current Liabilities | 411,857 | 308,681 |
| **NON-CURRENT LIABILITIES:** | | |
| Accrued Vacation (Net) | 198,802 | 98,402 |
| Loan Payable - SMIF (SB 84) | 187,683 | 231,594 |
| Net OPEB Liability | 712,140 | 1,545,397 |
| Net Pension Liability | 2,434,049 | 2,031,855 |
| Total Non-Current Liabilities | 3,532,674 | 3,907,248 |
| **TOTAL LIABILITIES** | 3,944,531 | 4,215,929 |
| **DEFERRED INFLOWS OF RESOURCES:** | | |
| Deferred Inflows of Resources Related to Pensions | 76,188 | 267,473 |
| Deferred Inflows of Resources Related to OPEB | 113,625 | 293,490 |
| Total Deferred Inflows of Resources | 189,813 | 560,963 |
| **NET POSITION:** | | |
| Restricted for Purposes Specified in Enabling Legislation | 6,833,183 | 5,429,400 |
| Total Net Position | 6,833,183 | 5,429,400 |
| **TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION** | $ 10,967,527 | $ 10,206,292 |

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

# CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
# BOND FINANCING PROGRAM FUND

## STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
## JUNE 30, 2020 AND 2019

| | 2020 | 2019 |
|---|---|---|
| **OPERATING REVENUES:** | | |
| Fee Revenue | $ 2,738,650 | $ 1,828,024 |
| Total operating revenues | 2,738,650 | 1,828,024 |
| **OPERATING EXPENSES:** | | |
| Salaries and Wages | 1,034,586 | 833,831 |
| Benefits and Other Personnel Related | 197,990 | 256,814 |
| Pension and OPEB | (579,559) | (1,851,215) |
| Operating Expenses | 805,579 | 1,278,454 |
| Total Operating Expenses | 1,458,596 | 517,884 |
| **OPERATING INCOME** | 1,280,054 | 1,310,140 |
| **NON-OPERATING REVENUES:** | | |
| Interest Income on Investements | 123,729 | 161,254 |
| Total Non-Operating Revenues | 123,729 | 161,254 |
| **CHANGE IN NET POSITION** | 1,403,783 | 1,471,394 |
| **NET POSITION** | | |
| **NET POSITION, Beginning of Year** | 5,429,400 | 3,958,006 |
| **NET POSITION, End of Year** | $ 6,833,183 | $ 5,429,400 |

# CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
# BOND FINANCING PROGRAM FUND

## STATEMENTS OF CASH FLOWS
## JUNE 30, 2020 AND 2019

| | 2020 | 2019 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Receipts from Fees | $ 3,494,500 | $ 607,251 |
| Payments to Employees | (1,594,838) | (1,493,412) |
| Payments to Suppliers of Goods and Services | (539,019) | (1,247,152) |
| Net Cash Provided (Used) by Operating Activities | 1,360,643 | (2,133,313) |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | |
| Interest and Investment Income | 137,756 | 155,519 |
| Net Cash Provided by Investing Activities | 137,756 | 155,519 |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | 1,498,399 | (1,977,794) |
| **BEGINNING CASH AND CASH EQUIVALENTS** | 6,754,911 | 8,732,705 |
| **ENDING CASH AND CASH EQUIVALENTS** | $ 8,253,310 | $ 6,754,911 |
| **RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:** | | |
| Operating income | $ 1,280,054 | $ 1,310,140 |
| **ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED (USED) BY OPERATIONS:** | | |
| (Increase) Decrease in: | | |
| Accounts Receivable | 755,850 | (1,220,773) |
| Due from State - External Funds | 135,232 | (136,811) |
| Deferred Outflows Related to Pensions | (85,257) | 346,718 |
| Deferred Outflows Related to OPEB | (82,688) | 47,006 |
| Increase (Decrease) in: | | |
| Accounts Payable | (5,706) | 17,014 |
| Due to State - External Funds | 137,034 | 151,099 |
| Accrued Vacation | 45,060 | (106,984) |
| Loan Payable - SMIF (SB 84) | (16,723) | - |
| Net OPEB Liability | (833,257) | (2,201,666) |
| Net Pension Liability | 402,194 | (496,844) |
| Deferred Inflows Related to Pensions | (191,285) | 227,259 |
| Deferred Inflows Related to OPEB | (179,865) | (69,471) |
| Net Cash Provided (Used) by Operating Activities | $ 1,360,643 | $ (2,133,313) |

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

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. GENERAL

The California Health Facilities Financing Authority (CHFFA) was created in 1979 and operates pursuant to the California Health Facilities Financing Authority Act (codified in the California Government Code Sections 15430-15463). CHFFA is a public instrumentality of the State of California, authorized and empowered by the provisions of the CHFFA Act for the purpose of providing financial assistance to eligible and creditworthy nonprofit and public health facilities in California through loans funded by the issuance of tax-exempt bonds, low-cost loans, and direct grant programs to promote important California health access, healthcare improvement and cost containment objectives. The CHFFA Bond Financing Program (CHFFA Bond Program) was established to carry out these objectives. The diverse nature of the facilities funded by the CHFFA Bond Program reflects the changing health care needs of California. From rural community-based organizations to large multi-hospital systems, the CHFFA Bond Program has financed a wide range of providers and programs throughout California. The Bond Financing Program Fund is a sub-account within CHFFA.

CHFFA's enabling legislation guides the specific types of eligible entities, covering a wide range of entities, including without limitation, acute care and psychiatric hospitals, specialty centers, intermediate and skilled nursing care facilities, clinics and adult day health centers. The legislation also addresses project eligibility (including without limitation, construction, expansion, remodeling, renovation, and refinances), in addition to the make-up and responsibility of the nine member board. The CHFFA Bond Program has served as conduit issuer for a wide range of borrowers under the following bond financing programs:

**Standard Bond Financing Program** – This program provides borrowers with access to low interest rate capital markets through the issuance of tax-exempt revenue bonds. Proceeds from the bonds may be used to fund construction/renovation projects, land acquisition for future projects, acquisition of existing health facilities, refinancing of existing debt, and costs of issuance.

**Pooled Bond Financing Program** – This program provides borrowers, with more modest financing needs, the option to group or "pool" into a single bond financing, where bond issuance costs are shared by other participants. This type of financing will generally allow a borrower to finance an eligible project with a minimum bond issuance of $500,000.

**Equipment Financing Program** – This program provides health facilities with access to tax-exempt fixed rate financing for equipment purchases. A borrower under the program can fund qualifying equipment purchases of $500,000 or more. The maturity of the notes must be related to the useful life of the equipment to be financed. Notes issued through the program are collateralized by the equipment that is purchased. Funds may be used to purchase or reimburse all types of qualifying equipment by an eligible health facility, including but not limited to, medical and diagnostic equipment, computers, and telecommunications equipment. Funds can also be used to finance minor equipment installation costs.

CHFFA contracts with the California State Treasurer's Office to provide administrative support including, but not limited to accounting, budgets, data processing, personnel, legal, insurance, and business services.

B. THE REPORTING ENTITY

These financial statements present information on the financial activities of CHFFA's Bond Program. CHFFA is a related organization of the State of California. The California State Treasurer by legislation serves as the Chairperson and is responsible for the oversight of CHFFA.

C. BASIS OF PRESENTATION

As an enterprise fund, the accrual basis of accounting is utilized, whereby revenues are recorded when earned and expenses are recognized in the accounting period in which the liability is incurred (when goods are received, or services rendered). The financial statements of the CHFFA Bond Program have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

D. ACCOUNTS RECEIVABLE

Accounts receivable consist primarily of initial and annual administration fees receivable from conduit bond financing borrowers. Accounts receivable are reported net of an allowance for doubtful accounts of $118,397 and $418,939 as of June 30, 2020, and 2019, respectively. Management's estimate of the allowance is based on historical collection experience and a review of the current status of fees receivable.

E. REVENUES

Fees are for the staff work related to bond and equipment financing and post-issuance activities and for the review of bond transactions.

Bond financing program fees are as follows:

| Borrower Type | Application Fee | Initial Fee | Annual Administrative Fee |
|---|---|---|---|
| Private Health Facility (or system) with annual gross revenues of $2.5 million or greater | $0 | 0.05% of aggregate amount of issue, up to a maximum of $100,000 | 0.0175% of bonds outstanding, up to a maximum of $150,000 |
| Private Health Facility (or System) with annual gross revenues of less than $2.5 million | $0 | $1,000 | The lesser of 0.0175% of bonds outstanding, or $500 |
| Public (City, County or District) Health Facility | $0 | $1,000 | The lesser of 0.0175% of bonds outstanding, or $500 |

Equipment financing program fees are as follows:

| Borrower Type | Application Fee | Initial Fee | Annual Administrative Fee |
|---|---|---|---|
| All borrowers | $500 | 0.05% of aggregate amount of issue | $400 annually, as long as there is an outstanding loan balance |

Fees are used to cover operating costs such as general communications, printing, professional services both internal and external, facilities operations, employee benefits, and other miscellaneous operating expenses, in addition to salaries and wages.

Cash is held by Surplus Money Investment Fund (SMIF) and generates investment income.

CHFFA distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from issuing bonds and equipment loans.

F. BUDGET

As an enterprise fund, CHFFA is designed to be self-supporting, and therefore is not considered a budgetary fund. The California Health Facilities Financing Authority Act (California Government Code Section 15430-15463) does not require annual budgets or the establishment of appropriations limits. Section 15440 of the Act specifically limits expenses to moneys from revenues generated by operations.

G. CASH AND CASH EQUIVALENTS

CHFFA considers all short-term investments with an original maturity of three months or less to be cash equivalents.

H. CAPITAL ASSETS

Capital assets are defined as assets with a useful life of at least one year and a unit acquisition cost of at least $5,000. Equipment is depreciated using the straight-line method over five years to ten years. Computer software is amortized using the straight-line method over 3 years.

I. RISK MANAGEMENT

CHFFA is a related organization of the State of California and participates in its risk management program. The State of California is primarily self-insured against loss or liability, with a few exceptions. The state generally does not maintain reserves; losses are covered by appropriations in the year in which the payment occurs. CHFFA has not had any claims subject to this coverage in the last three years. Additional disclosures are presented in the financial statements of the State of California.

J. ACCRUED VACATION

The accrued liability for the vacation compensation is recognized as an expense and liability in the CHFFA Bond Program’s financial statements based on employee assignment to the program.

Additionally, accumulated sick-leave balances are not recorded as compensated absences because they do not vest to employees. However, unused sick-leave balances convert to service credits upon retirement.

K. PENSION

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the CHFFA Bond Program's portion of the California Public Employees' Retirement System (CalPERS) Miscellaneous Plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

L. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the CHFFA Bond Program's portion of the State Substantive Plan (OPEB Plan) and additions to/deductions from OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

M. NET POSITION

Net position is restricted by enabling legislation for the purposes of issuing bonds to assist expansion and construction of health facilities.

N. USE OF ESTIMATES TO PREPARE FINANCIAL STATEMENTS

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

O. RECLASSIFICATION

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

## 2. CASH AND CASH EQUIVALENTS IN THE STATE TREASURY

CHFFA considers all short-term investments with an original maturity of three months or less to be cash equivalents. Cash and equivalents in the State Treasury at June 30 were as follows:

| | 2020 | 2019 |
|---|---|---|
| Deposits in SMIF | $ 8,253,310 | $ 6,542,778 |
| Restricted Cash – Short-term | - | 212,133 |
| Total Cash and Cash Equivalents | $ 8,253,310 | $ 6,754,911 |

Restricted cash was maintained in a Loan Loss Reserve Account for the HealthCap Loan Program, a joint venture with NCB Development Corporation. In January 2020, the remaining restricted cash was returned to CHFFA and is no longer restricted. Refer to Note 6.

The investments must be allowable through the Pooled Money Investment Account (PMIA), which is operated by the State Treasurer's Office, which invests under statutory authority governed by California Government Code Sections 16430 and 16480.4. Allowable investments are as follows:

- U.S. government securities
- Securities of federally-sponsored agencies
- Domestic corporate bonds
- Interest-bearing time deposits in California banks
- Savings and loan associations and credit unions
- Prime-rated commercial paper
- Repurchase and reverse repurchase agreements
- Security loans
- Banker's acceptances
- Negotiable certificates of deposits
- Loans to various bond funds

The CHFFA Bond Program invests excess cash funds in SMIF. All of the resources of SMIF are invested through the PMIA. The PMIA investment program is governed by the Pooled Money Investment Board and is administered by the Office of the State Treasurer.

Additional disclosure detail required by GASB Statements No. 3, No. 31, No. 40, and No. 72 regarding cash deposits and investments in the State Treasury, including disclosures related to interest rate risk, credit risk, custodial credit risk, and concentration of credit risk, are presented in the financial statements of the State of California.

### 3. DUE TO/FROM STATE – EXTERNAL FUNDS

Due to/from state external funds at June 30 includes the following:

| Due From (Due To) | Description | 2020 | 2019 |
|---|---|---|---|
| Children's Hospital Bond Act Fund | Personnel Costs | $ 74,526 | $ 157,907 |
| General Fund | Personnel Costs | 13,785 | 64,959 |
| SMIF | Interest Income | 23,886 | 37,913 |
| No Place Like Home Fund | Personnel Costs | - | 1,445 |
| The Supportive Housing Program | Personnel Costs | 768 | - |
| California Educational Facilities Authority | Personnel Costs | (153,878) | (145,539) |
| General Fund | Loan Interest | (150,676) | (6,295) |
| Department of General Services | Miscellaneous | (47) | (483) |
| Legal Services | DOJ Attorney Services | (220) | (15,470) |
| Net Due From (To) State External Funds | | $ (191,856) | $ 94,437 |

The amount due from SMIF represents unpaid interest earned by the CHFFA Bond Program. The amount due from other funds represents expenses paid by the CHFFA Bond Program for state external funds. The amount due to other funds represents expenses paid by other funds within the State of California on behalf of the CHFFA Bond Program.

### 4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

| | Balance July 1, 2019 | Additions | Reductions | Balance June 30, 2020 |
|---|---|---|---|---|
| Capital assets, being depreciated and amortized: | | | | |
| Equipment | $ 21,034 | $ - | $ - | $ 21,034 |
| Computer software - amortizable | 65,000 | - | - | 65,000 |
| Total capital assets being depreciated and amortized: | 86,034 | - | - | 86,034 |
| Less accumulated depreciation and amortization for: | | | | |
| Equipment | (21,034) | - | - | (21,034) |
| Computer software | (65,000) | - | - | (65,000) |
| Total accumulated depreciation and amortization | (86,034) | - | - | (86,034) |
| Total capital assets, being depreciated | $ - | $ - | $ - | $ - |

## 5. ACCRUED VACATION

The CHFFA Bond Program employees are granted vacation and sick leave in varying amounts, depending upon the employee. These hours are accrued for all employees on the basis of monthly payrolls. Upon separation, employees are paid for accumulated vacation days up to specified limits. Accrued vacation and sick leave follow state employees from agency to agency and are not necessarily earned since the inception of the CHFFA Bond Program.

Accrued vacation activity for the fiscal year ended June 30, 2020, was as follows:

| | Balance June 30, 2019 | Additions | Reductions | Balance June 30, 2020 | Due Within One Year |
|---|---|---|---|---|---|
| Accrued vacation | $ 195,862 | $ 90,692 | $ (45,632) | $ 240,922 | $ 42,120 |

Accrued vacation activity for the fiscal year ended June 30, 2019, was as follows:

| | Balance June 30, 2018 | Additions | Reductions | Balance June 30, 2019 | Due Within One Year |
|---|---|---|---|---|---|
| Accrued vacation | $ 302,846 | $ 106,707 | $ (213,691) | $ 195,862 | $ 97,460 |

## 6. JOINT VENTURE

The Authority participated in a joint venture, the HealthCap Program (the Program), along with the NCB Development Corporation (NCBDC). The relationship between the Authority and the HealthCap Program was such that the Program is not a component unit of the Authority for financial reporting purposes.

The Program was established in 2002 to increase access to capital for owners of eligible health facilities in the State of California. NCBDC's participation in the Program consisted of making up to $10,000,000 in the aggregate available to extend loans to qualified borrowers based on the requirements set forth in the Program description. CHFFA's participation in the Program consisted in maintaining a Loan Loss Reserve Account. The Loan Loss Reserve Account was required to be maintained at a minimum balance depending on the aggregate outstanding principal balance of all loans enrolled in the Program plus the aggregate amount of reserve deposit amounts paid by borrowers.

All interest earned on the Loan Loss Reserve account was split equally between CHFFA and NCBDC and interest is periodically remitted. As of June 30, 2019, the CHFFA Bond Program's portion of the balance in the Loan Loss Reserve Account was $212,133. The account was cleared out and cash returned to CHFFA in January 2020 as all outstanding balances of loans made under the program were paid off.

## 7. RETIREMENT PLAN

### *A. General Information about the Pension Plan*

***Plan Descriptions*** – All of the employees of CHFFA participate in the California Public Employees' Retirement System (CalPERS), which is included in the State of California's Comprehensive Annual Financial Report (CAFR) as a fiduciary component unit. CalPERS administers the Public Employees'

Retirement Fund (PERF). PERF is an agent multiple-employer defined benefit retirement plan. Departments and agencies within the state, including CHFFA, are in a cost-sharing arrangement in which all risks and costs are shared proportionately by participating state agencies. Since all state agencies and certain related organizations, including CHFFA, are considered collectively to be a single employer for plan purposes, the actuarial present value of vested and non-vested accumulated plan benefits attributable to the CHFFA employees cannot be determined. The significant actuarial assumptions used to compute the actuarially determined state contribution requirements are the same as those used to compute the state pension benefit obligation as defined by CalPERS. CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for this plan. This report is available online at www.calpers.ca.gov

The California Legislature passed, and the Governor signed, the "Public Employees' Pension Reform Act of 2013" (PEPRA) on September 12, 2012. PEPRA contained a number of provisions intended to reduce future pension obligations. PEPRA primarily affects new pension plan members who are enrolled for the first time after December 2012. Benefit provisions and other requirements are established by state statute.

***Benefits Provided*** – The benefits for the Plan are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five or ten years of credited service.

The Plans' provisions and benefits in effect at June 30, 2020, are summarized as follows:

*First Tier:*

| Hire date | Prior to January 15, 2011 | January 15, 2011 to December 31, 2012 | On or after January 1, 2013 |
|---|---|---|---|
| Benefit formula | 2% @ 55 | 2% @ 60 | 2% @ 62 |
| Benefit vesting schedule | 5 years service | 5 years service | 5 years service |
| Benefit payments | monthly for life | monthly for life | monthly for life |
| Retirement age | 50 to 67 | 50 to 67 | 52 to 67 |
| Monthly benefits, as a % of eligible compensation | 1.1 to 2.5% | 1.092 to 2.418% | 1.0 to 2.5% |

*Second Tier:*

| Hire date | Prior to January 1, 2013 | On or after January 1, 2013 |
|---|---|---|
| Benefit formula | 1.25% @ 65 | 1.25% @ 67 |
| Benefit vesting schedule | 10 years service | 10 years service |
| Benefit payments | monthly for life | monthly for life |
| Retirement age | 50 to 67 | 52 to 67 |
| Monthly benefits, as a % of eligible compensation | 0.5 to 1.25% | 0.65 to 1.25% |

***Contributions*** – Government Code Section 20814(c) of the California Public Employees Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. CHFFA is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by CHFFA to satisfy contribution requirements are classified as plan member contributions.

For the measurement period ended June 30, 2019 (the measurement date) the employer's contribution rate is approximately 29.289% of annual payroll. For the measurement period ended June 30, 2018, the employer's contribution rate was approximately 28.325% of annual payroll.

These rates reflect Government Code Section 20683.2, which mandates that certain employees must contribute more as of July 1, 2013. Furthermore, any reduction in employer contributions due to the increase in the employee contributions must be paid by the employer towards the unfunded liability. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution. Contributions to the Plan were $305,200 and $274,072 for the fiscal years ended June 30, 2020 and 2019, respectively.

In addition to CHFFA's Bond Program contributions to the plan, during the fiscal year ended June 30, 2018, SMIF made a contribution to the Plan of $248,317, on behalf of the CHFFA Bond Program, as required by Senate Bill No. 84, Chapter 50, Statutes of 2017 (SB 84), to fund future Net Pension Liabilities. CHFFA's Bond Program established a loan payable to SMIF for this contribution as required by SB 84. This loan payable is required to be repaid by June 30, 2030. The outstanding balance on the loan payable as of June 30, 2020, was $231,594.

***B. Pension Liabilities, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions***

As of June 30, 2020, and 2019, the CHFFA Bond Program reported net pension liabilities for its proportionate share of the net pension liability of $2,434,049 and $2,031,855, respectively.

CHFFA's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2019, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019, using standard update procedures. The CHFFA Bond Program's proportion of the net pension liability was based on the State Controller's Office (SCO) projection for CHFFA. The SCO identified a total of 29 entities that are reported in the state's CAFR which are proprietary funds (enterprise and internal service) and fiduciary funds (pension and other employee benefit trust funds), component units (discretely presented and fiduciary), and related organizations, that have state employees with pensionable compensation (covered payroll). The SCO calculated and provided these funds/organizations with their allocated pensionable compensation percentages by plan. The CHFFA Bond Program's proportionate share of the net pension liability for the Plan as of June 30, 2019, and 2018 were 0.007237% and 0.006468%, respectively.

For the fiscal years ended June 30, 2020, and 2019, CHFFA's Bond Program recognized pension expense was $430,852 and $351,204, respectively.

At June 30, 2020, CHFFA's Bond Program reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Pension contributions subsequent to measurement date | $ 305,200 | $ - |
| Change in assumptions | 102,535 | (51,059) |
| Change in proportion | 24,414 | - |
| Difference between expected and actual experience | 127,730 | (7,003) |
| Change in proportionate share of contributions | 63,639 | - |
| Net difference between projected and actual earnings on plan investments | - | (18,126) |
| Total | $ 623,518 | $ (76,188) |

The $305,200 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Fiscal Year Ending June 30 | |
|---|---|
| 2021 | $ 143,085 |
| 2022 | 2,448 |
| 2023 | 80,321 |
| 2024 | 16,276 |

At June 30, 2019, CHFFA's Bond Program reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Pension contributions subsequent to measurement date | $ 274,072 | $ - |
| Change in assumptions | 183,284 | (67,367) |
| Change in proportion | - | (185,950) |
| Difference between expected and actual experience | 21,799 | (14,156) |
| Change in proportionate share of contributions | 38,115 | - |
| Net difference between projected and actual earnings on plan investments | 20,991 | - |
| Total | $ 538,261 | $ (267,473) |

The $274,072 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Fiscal Year Ending June 30 | | |
|---|---|---|
| 2020 | $ | 66,231 |
| 2021 | | 34,838 |
| 2022 | | (88,296) |
| 2023 | | (16,056) |

***Actuarial Assumptions*** – For the measurement period ended June 30, 2019 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2018 total pension liability. The June 30, 2019, total pension liabilities were based on the following actuarial assumptions:

| | |
|---|---|
| Actuarial Cost Method | Entry-Age Normal |
| Actuarial Assumptions: | |
| Discount Rate | 7.15% |
| Inflation | 2.50% |
| Interest Rate of Return | 7.15% |
| Salary Increases | Varies by Entry Age and Service |
| Mortality Rate Table(1) | Derived using CalPERS' Membership data for all Funds |
| Post Retirement Benefit Increase | The lesser of contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter |

(1) The mortality rate table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the 2017 Experience Study and Review of Actuarial Assumptions Report (Experience Study).

All other actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS website under Forms and Publications.

***Changes in Assumptions*** – For the measurement period ended June 30, 2019 (the measurement date), there were no changes in assumptions. For the measurement period ended June 30, 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Assumptions December 2017.

***Discount Rate*** – The discount rate used to measure the total pension liability was 7.15% for the Plan. The projection of cash flows used to determine the discount rate assumed the contributions from plans members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefits payments to determine the total pension liability. CalPERS' approach for the cash flow projections are presented in the GASB 67 and 68 Crossover Testing Report, which may be obtained from the CalPERS' website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation used to measure the total pension liability.

| Asset Class[(a)] | New Strategic Allocation | Real Return Years 1 – 10[(a)(b)] | Real Return Years 11+[(c)] |
|---|---|---|---|
| Global Equity | 50.00% | 4.80% | 5.98% |
| Fixed Income | 28.00% | 1.00% | 2.62% |
| Inflation Assets | 0.00% | 0.77% | 1.81% |
| Private Equity | 8.00% | 6.30% | 7.23% |
| Real Assets | 13.00% | 3.75% | 4.93% |
| Liquidity | 1.00% | 0.00% | -0.92% |
| Total | 100.00% | | |

[(a)] In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; and Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

[(b)] An expected inflation rate of 2.0% was used for this period.

[(c)] An expected inflation rate of 2.92% was used for this period.

***Sensitivity of Programs' Proportionate Share Net Pension Liability to Changes in the Discount Rate***

The following presents CHFFA Bond Program's proportionate share of the net pension liability of the Plan as of the June 30, 2019, measurement date, calculated using the discount rate of 7.15%, as well as what CHFFA Bond Program's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.15%) or one percentage-point higher (8.15%) than the current rate:

| | Discount Rate – 1% (6.15%) | Current Discount Rate (7.15%) | Discount Rate + 1% (8.15%) |
|---|---|---|---|
| CHFFA Bond Program's Proportionate Share of Plan's Net Pension Liability | $ 3,468,253 | $ 2,434,049 | $ 1,567,721 |

The following presents CHFFA Bond Program's proportionate share of the net pension liability of the Plan as of the June 30, 2018, measurement date, calculated using the discount rate of 7.15%, as well as what CHFFA Bond Program's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.15%) or one percentage-point higher (8.15%) than the current rate:

| | Discount Rate – 1% (6.15%) | Current Discount Rate (7.15%) | Discount Rate + 1% (8.15%) |
|---|---|---|---|
| CHFFA Bond Program's Proportionate Share of Plan's Net Pension Liability | $ 2,912,911 | $ 2,031,855 | $ 1,293,515 |

## 8. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

### A. *General Information about the OPEB Plan*

***Plan Description*** – The State also provides postemployment medical and prescription drug benefits to employees and dependents through CalPERS under the Public Employees' Medical and Hospital Care Act, and dental benefits under the State Employees' Dental Care Act. The State, and certain bargaining units and judicial employees (valuation groups) have agreed to prefund retiree healthcare benefits. Assets are held in separate accounts by valuation group within the California Employers' Retiree Benefit Trust (CERBT) administered by CalPERS, an agent multiple-employer defined benefit other postemployment benefits plan (State's Substantive Plan, or Plan). Assets within each valuation group benefit retirees and dependents associated with that valuation group. CalPERS reports on the CERBT as part of its separately issued annual financial statements, which can be obtained from CalPERS on its website at www.CalPERS.ca.gov.

The State has identified 25 separate valuation groups within the Plan. For each agency and/or fund, the SCO determined the proportion of OPEB employer contributions attributable to employees within these valuation groups. SCO then used these proportions to allocate the OPEB accounting elements from the June 30, 2019, and June 30, 2018, respectively, State of California Retiree Health Benefits Program Actuarial Valuation Report to state agencies and their funds.

***Benefits Provided*** – In accordance with the California Government Code, the State generally pays 100% of the health insurance premium cost for annuitants, plus 90% of the additional premium required for the enrollment of family members of annuitants. The State generally pays all or a portion of the dental insurance premium cost for annuitants, depending upon the completed years of credited state service at retirement and the dental coverage selected. The maximum 2019 monthly state contribution was $734 for one-party coverage, $1,398 for two-party coverage, and $1,788 for family coverage. The maximum 2018 monthly state contribution was $725 for one-party coverage, $1,377 for two-party coverage, and $1,766 for family coverage. To be eligible for these benefits, primary government first-tier plan annuitants must retire on or after age 50 with at least five years of service, and second tier plan annuitants must retire on or after age 55 with at least 10 years of service. In addition, annuitants must retire within 120 days of separation from employment to be eligible to receive these benefits.

***Contributions*** – The design of the health and dental benefit programs can be amended by the CalPERS Board of Administration and the California Department of Human Resources, respectively. Employer and retiree contributions are governed by the State and may be amended by the Legislature.

CHFFA participates in the Plan on a cost-sharing basis. The State funds the cost of providing health and dental insurance to annuitants primarily on a pay-as-you-go basis. The State obtains an annual actuarial valuation of the Plan which can be found on the SCO's website at www.sco.ca.gov . Contributions to the Plan from CHFFA were $85,399 and $21,712 for the fiscal years ended June 30, 2020 and 2019, respectively.

**B.** ***Net OPEB Liability, OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB***

At June 30, 2020 and 2019, CHFFA reported a liability of $712,140 and $1,545,397, respectively, for its proportionate share of the Plan net OPEB liability. The net OPEB liability at June 30, 2020 was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. The net OPEB liability at June 30, 2019 was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. CHFFA's proportion of the net OPEB liability was based on the SCO's projection for CHFFA. CHFFA's combined proportionate share, based on its attributable employee valuation group's OPEB employer contributions, as of June 30, 2019, and 2018 was 0.001843% and 0.005013%, respectively.

For the fiscal years ended June 30, 2020, and 2019, CHFFA recognized OPEB expense of $(1,010,411) and $(2,202,419), respectively.

At June 30, 2020, CHFFA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Changes in assumptions | $ 20,988 | $ (62,240) |
| Difference between expected and actual experience | 724 | (51,385) |
| OPEB contributions subsequent to measurement date | 85,399 | - |
| Total | $ 107,111 | $ (113,625) |

The $85,399 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in CHFFA's OPEB expense as follows:

| Fiscal Year Ending June 30 | | |
|---|---|---|
| 2021 | $ | (21,639) |
| 2022 | | (21,349) |
| 2023 | | (21,566) |
| 2024 | | (19,323) |
| 2025 | | (9,915) |
| Thereafter | | 1,879 |

At June 30, 2019, CHFFA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Changes in assumptions | $ - | $ (176,907) |
| Differences in PAY GO contributions | 2,711 | (678) |
| Difference between expected and actual experience | - | (115,905) |
| OPEB contributions subsequent to measurement date | 21,712 | - |
| Total | $ 24,423 | $ (293,490) |

The $21,712 reported as deferred outflows of resources related to contributions subsequent to the measurement date was recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in CHFFA's OPEB expense as follows:

| Fiscal Year Ending June 30 | | |
|---|---|---|
| 2020 | $ | (53,478) |
| 2021 | | (51,919) |
| 2022 | | (50,632) |
| 2023 | | (50,632) |
| 2024 | | (49,615) |
| Thereafter | | (34,503) |

**Actuarial Assumptions**

For the measurement period ended June 30, 2019 (the measurement date), the total OPEB liability was determined using a June 30, 2019, valuation date. The June 30, 2019, total OPEB liability was based on the following actuarial methods and assumptions:

| | |
|---|---|
| Valuation Date: | June 30, 2019 |
| Actuarial Cost Method: | Entry-Age Normal |
| Actuarial Assumptions: | |
| Discount Rate | Blended rate for each valuation group, consisting of 6.75% when assets are available to pay benefits, otherwise 20-year Municipal G.O. Bond AA Index rate of 3.13% |
| Inflation | 2.25% |
| Salary Increases | Varies by entry age and service |
| Investment Rate of Return | 6.75%, net of OPEB plan investment expenses but without reduction for OPEB plan administrative expenses |
| Health care cost trend rates | *Pre-Medicare coverage*: Actual rates for 2020, increasing to 7.50% in 2021, then decreasing 0.50% per year to an ultimate rate of 4.50% for 2027 through 2036, then to 4.25% for 2037 and later years<br>*Post-Medicare coverage*: Actual rates for 2020, increasing to 7.50% in 2021, then decreasing 0.50% per year to an ultimate rate of 4.50% for 2027 through 2036, then to 4.25% for 2037 and later years<br>*Dental coverage*: 0.01% in 2020 and 4.50% for 2021 through 2036, then 4.25% thereafter |
| Mortality Rate Table | Derived using CalPERS' Membership data for all members |

The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using the Society of Actuaries 90% Scale MP 2016. For more details on this table, refer to the 2017 *CalPERS Experience Study and Review of Actuarial Assumptions* report (Experience Study) for the period from 1997 to 2015. Other demographic assumptions used in the June 30, 2019, valuation were also based on the results of the Experience Study, including updates to termination, disability, mortality assumptions, and retirement rates. The Experience Study report can be obtained from CalPERS' website, at www.CalPERS.ca.gov.

Healthcare related assumptions such as plan participation, aging factors, adjustments for disabled members, and adjustments for children of current retirees and survivors are based on the State of California Retiree Health Benefits Program 2018 Experience Review performed by Gabriel, Roeder, Smith and Company (GRS) for the period from 2014 to 2018. Other healthcare assumptions such as member healthcare plan selection, coverage and continuance, select and ultimate healthcare cost trend rates, and per capita claim costs and expenses, are based on the most current information available. The GRS 2018 Experience Review is available at StateGovReports@sco.ca.gov, or visit www.sco.ca.gov.

***Changes in Assumptions*** – For the actuarial valuation date of June 30, 2019, the discount rate was lowered from 7.00% to 6.75%. In addition, both the price inflation assumption and the wage inflation assumption were reduced by 0.25%. For the actuarial valuation as of June 30, 2018, healthcare related assumptions, including per capita healthcare cost and healthcare trend rates, were updated based on experience through June 30, 2018.

**Discount Rate** – The discount rate used to measure the total OPEB liability was based on a blended rate for each valuation group. The blended rate used to measure the June 30, 2019, total OPEB liability consists of the 20-year Municipal G.O. Bond AA Index rate of 3.13% as of June 30, 2019, as reported by Fidelity, when prefunding assets are not available to pay benefits, and 6.75% when prefunding assets are available to pay benefits. The cash flow projections used to calculate the blended discount rate were developed assuming that prefunding agreements in which actuarially determined normal costs are shared between employees and the State will continue and that the required contributions will be made on time and as scheduled in future years. The prefunding agreements are subject to collective bargaining and legislative approval. Detailed information on the blended discount rates by valuation group is available in the *State of California Retiree Health Benefits Program GASB Nos. 74 and 75 Actuarial Valuation Report as of June 30, 2019*, on the State Controller's Office website, at www.SCO.ca.gov.

The long-term expected rate of return on OPEB plan investments was determined by GRS using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. Expected compound (geometric) returns were calculated over a closed period. Based on separate expected real returns for the short-term (first 10 years) and the long-term (11-40 years), and an average inflation assumption of 2.25%, a single expected nominal return rate of 6.75% was calculated for the combined short-term and long-term periods. If applied to expected cash flows during that period, the resulting present value of benefits is expected to be consistent with the present value of benefits that would be determined by applying the short and long-term expected rates to the same cash flows.

The following table reflects the long-term expected real rate of return by asset class:

| Asset Class | Target Allocation | Real Return Years 1 - 10 | Real Return Years 11+ |
|---|---|---|---|
| Global Equity | 59.00% | 4.80% | 5.98% |
| Fixed Income | 25.00% | 1.10% | 2.62% |
| Treasury Inflation-Protected Securities | 5.00% | 0.25% | 1.46% |
| Real Estate Investment Trusts | 8.00% | 3.50% | 5.00% |
| Commodities | 3.00% | 1.50% | 2.87% |

GRS used an expected inflation rate of 1.75% for the real return rates in years 1-10 and 2.67% for the real return rates in years 11-40.

**Sensitivity of CHFFA's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate**

The following presents CHFFA's proportionate share of the net OPEB liability, as well as what CHFFA's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

| | Blended Discount Rate –1% | Blended Discount Rate | Blended Discount Rate +1% |
|---|---|---|---|
| Net OPEB liability | $ 838,005 | $ 712,140 | $ 611,235 |

***Sensitivity of CHFFA's Proportionate Share of the Net OPEB Liability to Changes in Healthcare Costs Trend Rates***

The following presents CHFFA's proportionate share of the net OPEB liability, as well as what CHFFA's proportionate share of the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

| | Healthcare Cost Trend Rates –1% | Healthcare Cost Trend Rates | Healthcare Cost Trend Rates +1% |
|---|---|---|---|
| Net OPEB liability | $ 604,081 | $ 712,140 | $ 805,158 |

***OPEB Plan Fiduciary Net Position*** – Detailed information about the State's Substantive Plan fiduciary net position is available on CalPERS' website in an annual report titled "California Employers' Retiree Benefit Trust, Agent Multiple-Employer Other Postemployment Benefits Plan, Schedule of Changes in Fiduciary Net Position by Employer." Additionally, CalPERS annually issues a Comprehensive Annual Financial Report which includes the CERBT fund's financial statements.

## 9. CONDUIT FINANCING PROGRAMS

The CHFFA Bond Program acts as a conduit issuer by assisting eligible private nonprofit and public health facilities obtain financing through the issuance of revenue bonds. The financings are secured by the full faith and credit of the participating institutions, and neither CHFFA nor the CHFFA Bond Program is responsible for payment on any financing. As a result, the financing obligations are not recorded in the CHFFA Bond Program's financial statements. The borrowers' obligations may be secured by insurance, a letter of credit or guaranty.

As of June 30, 2020 and 2019, there were $17,867,944,380 and $16,993,078,625, respectively, in conduit financings outstanding. The CHFFA Bond Program assisted with the issuance of financings in the amount of $1,703,945,000 and $83,335,000 for the fiscal years ended June 30, 2020 and 2019, respectively. Additionally, the amounts of bonds authorized by the CHFFA Bond Program with active resolutions that remain unsold were $1,989,865,000 and $121,870,000 as of June 30, 2020 and 2019, respectively.

# REQUIRED SUPPLEMENTARY INFORMATION

# CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
# BOND FINANCING PROGRAM FUND

## SCHEDULE OF CHFFA BOND PROGRAM'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS OF JUNE 30, 2020 LAST 10 YEARS*

| | Measurement Date | | | | | |
|---|---|---|---|---|---|---|
| | **2019** | **2018** | **2017** | **2016** | **2015** | **2014** |
| CHFFA Bond Program’s proportion of the net pension liability | 0.007237% | 0.006468% | 0.006921% | 0.007373% | 0.007546% | 0.005999% |
| CHFFA Bond Program’s proportionate share of the net pension liability | $ 2,434,049 | $ 2,031,855 | $ 2,528,699 | $ 2,441,532 | $ 2,131,122 | $ 1,513,015 |
| CHFFA Bond Program’s covered-employee payroll | $ 943,146 | $ 808,058 | $ 832,270 | $ 820,232 | $ 877,791 | $ 668,857 |
| CHFFA Bond Program’s proportionate share of the net pension liability as a percentage of its covered-employee payroll | 258.08% | 251.45% | 303.83% | 297.66% | 242.78% | 226.21% |
| Plan fiduciary net position as a percentage of the total pension liability | 71.34% | 71.83% | 66.42% | 66.81% | 70.68% | 73.05% |

**Notes to Schedule:**

**Change of benefit terms –** For the measurement dates ended June 30, 2019, 2018, 2017, 2016, 2015, and 2014, there were no changes to the benefit terms.

**Changes in assumptions –** For the measurement date ended June 30, 2015, the discount rate changed from 7.50% (net of administrative expenses in 2014) to 7.65% to correct an adjustment which previously reduced the discount rate for administrative expenses. For the measurement dates ended June 30, 2016 and 2014, there were no changes in assumptions. For the measurement date ended June 30, 2017, the financial reporting discount rate for the Plan lowered from 7.65% to 7.15%. For the measurement date ended June 30, 2018, demographic assumptions and inflation rate were changed.

* Fiscal year 2015 was the first year of implementation, therefore only Six years are shown.

# CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
# BOND FINANCING PROGRAM FUND

## SCHEDULE OF CHFFA BOND PROGRAM'S PENSION CONTRIBUTIONS
## AS OF JUNE 30, 2020
## LAST 10 YEARS*

| | Fiscal Year | | | | | |
|---|---|---|---|---|---|---|
| | **2020** | **2019** | **2018** | **2017** | **2016** | **2015** |
| Contractually required contribution | $ 305,200 | $ 274,072 | $ 236,613 | $ 249,662 | $ 200,708 | $ 186,885 |
| Contributions in relation to the contractually required contribution | (305,200) | (274,072) | (484,930) | (249,662) | (200,708) | (186,885) |
| Contribution deficiency (excess) | $ - | $ - | $ (248,317) | $ - | $ - | $ - |
| CHFFA Bond Program's covered-employee payroll | $ 989,526 | $ 943,146 | $ 808,058 | $ 832,270 | $ 820,232 | $ 877,791 |
| Contributions as a percentage of covered-employee payroll | 30.84% | 29.06% | 60.01% | 30.00% | 24.47% | 21.29% |

* Fiscal year 2015 was the first year of implementation, therefore only six years are shown.

# CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
# BOND FINANCING PROGRAM FUND

### SCHEDULE OF CHFFA BOND PROGRAM'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY AS OF JUNE 30, 2020 LAST 10 YEARS*

| | Measurement Date | | |
|---|---|---|---|
| | **2019** | **2018** | **2017** |
| CHFFA Bond Program's proportion of the net OPEB liability | 0.001843% | 0.005013% | 0.006970% |
| CHFFA Bond Program's proportionate share of the net OPEB liability | $ 712,140 | $ 1,545,397 | $ 3,747,063 |
| CHFFA Bond Program's covered-employee payroll | $ 943,146 | $ 808,058 | $ 832,270 |
| CHFFA Bond Program's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll | 75.51% | 191.25% | 450.22% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 1.690% | 1.011% | 0.546% |

**Notes to Schedule:**

**Change of benefit terms** – For the measurement dates ended June 30, 2019, 2018 and 2017, there were no changes to the benefit terms.

**Changes in assumptions** – For the measurement period ended June 30, 2019, 2018 and 2017, healthcare related assumptions were updated based on experience through June 30, 2019, 2018 and 2017, respectively.

* Fiscal year 2018 was the first year of implementation, therefore only three years are presented.

# CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
# BOND FINANCING PROGRAM FUND

## SCHEDULE OF CHFFA BOND PROGRAM'S CONTRIBUTIONS
## OTHER POSTEMPLOYMENT BENEFIT PLAN
## AS OF JUNE 30, 2020
## LAST 10 YEARS*

| | Fiscal Year | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| Contractually required contribution | $ 85,399 | $ 21,712 | $ 71,429 |
| Contributions in relation to the contractually required contributions | (85,399) | (21,712) | (71,429) |
| Contribution deficiency (excess) | $ - | $ - | $ - |
| CHFFA Bond Program's covered-employee payroll | $ 989,526 | $ 943,146 | $ 808,058 |
| Contributions as a percentage of covered-employee payroll | 8.63% | 2.30% | 8.84% |

* Fiscal year 2018 was the first year of implementation, therefore only three years are presented.

# SUPPLEMENTARY INFORMATION

# CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
# BOND FINANCING PROGRAM FUND

## STATEMENT OF BONDS AND COLLATERALIZED NOTES, AUTHORIZED, ISSUED, AND OUTSTANDING
## JUNE 30, 2020

| Issued | Date Issued | Date of Final Maturity | Total Bonds Issued | Total Bonds Defeased/ Retired | Bonds Outstanding as of June 30, 2020 |
|---|---|---|---|---|---|
| Adventist Health System/West, 1998 Series B dated February 18, 1998 | 18-Feb-98 | 01-Sep-28 | $ 42,200,000 | $ 23,800,000 | $ 18,400,000 |
| Adventist Health System/West, 2009 Series B dated May 20, 2009 | 20-May-09 | 01-Sep-38 | 30,000,000 | - | 30,000,000 |
| Adventist Health System/West, Series 2011A dated June 9, 2011 (Variable Rate) | 09-Jun-11 | 01-Mar-41 | 130,000,000 | 31,700,000 | 98,300,000 |
| Adventist Health System/West, Series 2013A dated February 14, 2013 | 14-Feb-13 | 01-Mar-43 | 290,365,000 | 31,965,000 | 258,400,000 |
| Adventist Health System/West, Series 2016A dated September 9, 2016 | 08-Sep-16 | 01-Mar-39 | 280,010,000 | 28,335,000 | 251,675,000 |
| Adventist Health System/West-Sutter Health Revolving Loan Pool, Series 1991A & 1991B dated September 25, 1991 | 25-Sep-91 | 01-Aug-21 | 59,800,000 | 31,400,000 | 28,400,000 |
| Alliance for Community Care, Series 2003 dated October 29, 2003 | 29-Oct-03 | 01-Jul-22 | 10,500,000 | 8,395,000 | 2,105,000 |
| AltaMed Health Services Corporation, Series 2015A dated October 1, 2015 | 01-Oct-15 | 01-Oct-40 | 90,560,000 | - | 90,560,000 |
| AltaMed Health Services Corporation, Series 2015B dated October 1, 2015 | 01-Oct-15 | 01-Oct-35 | 11,000,000 | - | 11,000,000 |
| Ampla Health, Series 2016 dated October 13, 2016 [Taxable, Variable Rate Demand] | 13-Oct-16 | 01-Oct-31 | 7,265,000 | 1,390,000 | 5,875,000 |
| Ararat Home of Los Angeles, Inc., 2012 Series A dated November 27, 2012 | 27-Nov-12 | 01-Jun-21 | 2,990,000 | 2,575,000 | 415,000 |
| Asian Community Center of Sacramento Valley, Inc., Series 2016 dated November 22, 2016 | 22-Nov-16 | 01-Apr-37 | 16,080,000 | 1,655,000 | 14,425,000 |
| Beacon House Association of San Pedro (The), Series 2011 dated October 20, 2011 | 20-Oct-11 | 01-Dec-23 | 1,505,000 | 935,000 | 570,000 |
| Becoming Independent, Series 2013 dated April 30, 2013 | 30-Apr-13 | 01-Feb-29 | 4,865,000 | 2,155,000 | 2,710,000 |
| California-Nevada Methodist Homes, Series 2015 dated October 21, 2015 | 21-Oct-15 | 01-Jul-45 | 32,920,000 | 2,085,000 | 30,835,000 |
| Casa Colina, Series 2013 dated September 13, 2013 | 13-Sep-13 | 01-Apr-32 | 21,190,000 | 5,510,000 | 15,680,000 |
| Casa Colina, Series 2016 dated September 30, 2016 | 30-Sep-16 | 01-Apr-41 | 36,400,000 | 2,620,000 | 33,780,000 |
| Catholic Healthcare West Loan Program, 2004 Series K dated May 19, 2004 | 19-May-04 | 01-Jul-33 | 60,000,000 | - | 60,000,000 |
| Catholic Healthcare West Loan Program, 2009 Series H dated November 12, 2009 | 12-Nov-09 | 01-Jul-33 | 90,000,000 | - | 90,000,000 |
| Catholic Healthcare West, 1996 Series D dated May 30, 1996 | 30-May-96 | 01-Jul-21 | 36,900,000 | 30,900,000 | 6,000,000 |

# CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
# BOND FINANCING PROGRAM FUND

## STATEMENT OF BONDS AND COLLATERALIZED NOTES, AUTHORIZED, ISSUED, AND OUTSTANDING
## JUNE 30, 2020

| Issued | Date Issued | Date of Final Maturity | Total Bonds Issued | Total Bonds Defeased/ Retired | Bonds Outstanding as of June 30, 2020 |
|---|---|---|---|---|---|
| Catholic Healthcare West, 1997 Series B, 1997 Series C dated October 15, 1997 | 15-Oct-97 | 01-Jul-22 | 70,000,000 | 62,300,000 | 7,700,000 |
| Catholic Healthcare West, 2005 Series H dated November 10, 2005 | 10-Nov-05 | 01-Jul-35 | 140,400,000 | - | 140,400,000 |
| Catholic Healthcare West, 2005 Series I dated November 10, 2005 | 10-Nov-05 | 01-Jul-35 | 59,600,000 | - | 59,600,000 |
| Catholic Healthcare West, 2008 Series G dated May 16, 2008 | 16-May-08 | 01-Jul-25 | 29,675,000 | 3,450,000 | 26,225,000 |
| Catholic Healthcare West, 2009 Series E dated November 12, 2009 | 12-Nov-09 | 01-Jul-25 | 101,255,000 | - | 101,255,000 |
| Catholic Healthcare West, 2011 Series A dated November 9, 2011 | 09-Nov-11 | 01-Mar-41 | 350,005,000 | 125,815,000 | 224,190,000 |
| Catholic Healthcare West, 2011 Series B dated November 9, 2011 | 09-Nov-11 | 01-Mar-47 | 75,000,000 | - | 75,000,000 |
| Catholic Healthcare West, 2011 Series C dated November 9, 2011 | 09-Nov-11 | 01-Mar-47 | 75,000,000 | - | 75,000,000 |
| Cedars-Sinai Medical Center, Series 2011 dated December 21, 2011 | 21-Dec-11 | 15-Aug-21 | 148,400,000 | 109,655,000 | 38,745,000 |
| Cedars-Sinai Medical Center, Series 2015 dated November 17, 2015 | 17-Nov-15 | 15-Nov-34 | 370,220,000 | 2,100,000 | 368,120,000 |
| Cedars-Sinai Medical Center, Series 2016A dated November 9, 2016 | 09-Nov-16 | 15-Aug-36 | 267,420,000 | 16,505,000 | 250,915,000 |
| Cedars-Sinai Medical Center, Series 2016B dated November 9, 2016 | 09-Nov-16 | 15-Aug-39 | 402,305,000 | - | 402,305,000 |
| Children's Hospital Los Angeles, Series 2012A dated August 15, 2012 | 15-Aug-12 | 15-Nov-34 | 120,760,000 | 7,125,000 | 113,635,000 |
| Children's Hospital Los Angeles, Series 2017A dated June 6, 2017 | 06-Jun-17 | 15-Aug-49 | 274,520,000 | - | 274,520,000 |
| Children's Hospital Los Angeles, Series 2017B dated June 6, 2017 (Variable) | 06-Jun-17 | 15-Aug-51 | 52,180,000 | - | 52,180,000 |
| Children's Hospital of Orange County, 2009 Series B dated June 30, 2009 | 30-Jun-09 | 01-Nov-38 | 50,000,000 | 7,600,000 | 42,400,000 |
| Children's Hospital of Orange County, 2009 Series C dated June 30, 2009 | 30-Jun-09 | 01-Nov-38 | 50,000,000 | 7,600,000 | 42,400,000 |
| Children's Hospital of Orange County, 2009 Series D dated June 30, 2009 | 30-Jun-09 | 01-Nov-34 | 27,800,000 | 6,650,000 | 21,150,000 |
| Children's Hospital of Orange County, Series 2011A dated November 3, 2011 | 03-Nov-11 | 01-Nov-41 | 106,735,000 | 2,695,000 | 104,040,000 |
| Children's Hospital of Orange County, Series 2019A dated August 6, 2019 | 06-Aug-19 | 01-Nov-38 | 88,390,000 | - | 88,390,000 |
| Chinese Hospital Association, Series 2012 dated November 8, 2012 | 08-Nov-12 | 01-Jun-42 | 65,000,000 | 7,040,000 | 57,960,000 |

# CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
# BOND FINANCING PROGRAM FUND

## STATEMENT OF BONDS AND COLLATERALIZED NOTES, AUTHORIZED, ISSUED, AND OUTSTANDING
## JUNE 30, 2020

| Issued | Date Issued | Date of Final Maturity | Total Bonds Issued | Total Bonds Defeased/ Retired | Bonds Outstanding as of June 30, 2020 |
|---|---|---|---|---|---|
| City of Hope, Series 2012A dated November 14, 2012 | 14-Nov-12 | 15-Nov-39 | 234,635,000 | 33,460,000 | 201,175,000 |
| City of Hope, Series 2017A dated February 10, 2017 (Variable Rate) | 10-Feb-17 | 15-Nov-42 | 32,680,000 | - | 32,680,000 |
| City of Hope, Series 2017B dated February 10, 2017 (Variable Rate) | 10-Feb-17 | 15-Nov-42 | 32,680,000 | - | 32,680,000 |
| City of Hope, Series 2019 dated July 31, 2019 | 31-Jul-19 | 15-Nov-49 | 334,905,000 | - | 334,905,000 |
| Clinicas de Salud del Pueblo, Inc. and Valley Health Team, Inc. 2008 Series A dated March 11, 2008 | 11-Mar-08 | 01-Jul-32 | 6,250,000 | 5,100,000 | 1,150,000 |
| Community Program for Persons with Developmental Disabilities, 2011 Series A dated February 17, 2011 (Tax Exempt) | 17-Feb-11 | 01-Feb-26 | 44,725,000 | 22,445,000 | 22,280,000 |
| Community Program for Persons with Developmental Disabilities, 2011 Series B dated February 17, 2011 (Taxable) | 17-Feb-11 | 01-Feb-26 | 32,245,000 | 15,490,000 | 16,755,000 |
| Dignity Health, 2012 Series A dated June 27, 2012 | 27-Jun-12 | 01-Mar-28 | 140,000,000 | - | 140,000,000 |
| Dignity Health, 2014 Series B dated October 15, 2014 | 15-Oct-14 | 01-Mar-25 | 294,510,000 | - | 294,510,000 |
| Dignity Health, Series 2016A dated December 6, 2016 | 06-Dec-16 | 01-Mar-42 | 270,095,000 | - | 270,095,000 |
| El Camino Hospital, Series 2015A dated May 7, 2015 | 07-May-15 | 01-Feb-45 | 160,455,000 | 20,660,000 | 139,795,000 |
| El Camino Hospital, Series 2017 dated March 14, 2017 | 14-Mar-17 | 01-Feb-47 | 292,435,000 | 4,665,000 | 287,770,000 |
| Equipment Loan Program (BofA) AltaMed Health Services Corporation, Series 2015A dated September 29, 2015 | 29-Sep-15 | 29-Sep-22 | 17,200,000 | 11,417,598 | 5,782,402 |
| Equipment Loan Program (BofA) AltaMed Health Services Corporation, Series 2018A dated October 30, 2018 | 30-Oct-18 | 30-Oct-23 | 20,000,000 | 6,316,821 | 13,683,177 |
| Gateways Hospital and Mental Health Center, 2011 Series A dated December 1, 2011 | 01-Dec-11 | 01-Dec-36 | 5,000,000 | - | 5,000,000 |
| Gateways Hospital and Mental Health Center, 2011 Series B dated December1, 2011 | 01-Dec-11 | 01-Dec-24 | 3,085,000 | 1,775,000 | 1,310,000 |
| Insured Cal Pool: Feedback, Olive Crest & So. CA Alcohol & Drug Programs 1992 Series A dated December 1, 2011 | 01-Dec-92 | 01-Dec-22 | 5,735,000 | 5,300,000 | 435,000 |
| Kaiser Permanente, 2006 Series C dated June 8, 2006 | 08-Jun-06 | 01-Jun-41 | 325,000,000 | - | 325,000,000 |

# CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
# BOND FINANCING PROGRAM FUND

## STATEMENT OF BONDS AND COLLATERALIZED NOTES, AUTHORIZED, ISSUED, AND OUTSTANDING
## JUNE 30, 2020

| Issued | Date Issued | Date of Final Maturity | Total Bonds Issued | Total Bonds Defeased/ Retired | Bonds Outstanding as of June 30, 2020 |
|---|---|---|---|---|---|
| Kaiser Permanente, 2006 Series E dated June 8, 2006 | 08-Jun-06 | 01-Nov-40 | 175,000,000 | - | 175,000,000 |
| Kaiser Permanente, Series 2017A dated May 3, 2017 | 03-May-17 | 01-Nov-51 | 1,747,015,000 | - | 1,747,015,000 |
| Kaiser Permanente, Series 2017B dated May 3, 2017 | 03-May-17 | 01-Nov-29 | 75,385,000 | - | 75,385,000 |
| Kaiser Permanente, Series 2017C dated May 3, 2017 | 03-May-17 | 01-Aug-31 | 175,755,000 | - | 175,755,000 |
| Kaiser Permanente, Series 2017D dated May 3, 2017 | 03-May-17 | 01-Nov-32 | 128,320,000 | - | 128,320,000 |
| LA BioMed, Series 2018 dated August 28, 2018 | 28-Aug-18 | 01-Sep-48 | 49,835,000 | - | 49,835,000 |
| Lincoln Glen Manor for Senior Citizens, Series 2015 dated February 11, 2015 | 11-Feb-15 | 01-Apr-36 | 11,965,000 | 290,000 | 11,675,000 |
| Lucile Salter Packard Children's Hospital at Stanford, 2012 Series A dated March 21, 2012 | 21-Mar-12 | 15-Aug-51 | 200,000,000 | - | 200,000,000 |
| Lucile Salter Packard Children's Hospital at Stanford, 2012 Series B dated March 21, 2012 | 21-Mar-12 | 15-Aug-27 | 51,045,000 | 16,430,000 | 34,615,000 |
| Lucile Salter Packard Children's Hospital at Stanford, 2014 Series A dated May 8, 2014 | 08-May-14 | 15-Aug-43 | 100,000,000 | - | 100,000,000 |
| Lucile Salter Packard Children's Hospital at Stanford, 2014 Series B dated May 8, 2014 | 08-May-14 | 15-Aug-43 | 100,000,000 | - | 100,000,000 |
| Lucile Salter Packard Children's Hospital at Stanford, 2016 Series A March 31, 2016 | 31-Mar-16 | 15-Aug-33 | 76,975,000 | 13,060,000 | 63,915,000 |
| Lucile Salter Packard Children's Hospital at Stanford, 2016 Series B March 31, 2016 | 31-Mar-16 | 15-Aug-55 | 100,000,000 | - | 100,000,000 |
| Lucile Salter Packard Children's Hospital at Stanford, 2017 Series A dated August 17, 2017 | 17-Aug-17 | 15-Nov-56 | 200,000,000 | 4,185,000 | 195,815,000 |
| Marshall Medical Center, 2004 Series B dated March 22, 2004 | 22-Mar-04 | 01-Nov-33 | 20,000,000 | - | 20,000,000 |
| Marshall Medical Center, Series 2012A dated September 26, 2012 | 26-Sep-12 | 01-Nov-22 | 17,805,000 | 13,370,000 | 4,435,000 |
| Marshall Medical Center, Series 2015 dated April 9, 2015 | 09-Apr-15 | 01-Nov-33 | 26,895,000 | 1,435,000 | 25,460,000 |
| Marshall Medical Center, Series 2020A dated April 27, 2020 | 27-Apr-20 | 01-Nov-50 | 46,975,000 | - | 46,975,000 |
| Marshall Medical Center, Series 2020B (Taxable)dated April 27, 2020 | 27-Apr-20 | 01-Nov-50 | 21,900,000 | - | 21,900,000 |
| Memorial Health Services Variable Rate Refunding Bonds, Series 1994 dated March 1, 1994 | 01-Mar-94 | 01-Oct-24 | 85,000,000 | 57,700,000 | 27,300,000 |

# CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
# BOND FINANCING PROGRAM FUND

## STATEMENT OF BONDS AND COLLATERALIZED NOTES, AUTHORIZED, ISSUED, AND OUTSTANDING
## JUNE 30, 2020

| Issued | Date Issued | Date of Final Maturity | Total Bonds Issued | Total Bonds Defeased/ Retired | Bonds Outstanding as of June 30, 2020 |
|---|---|---|---|---|---|
| Memorial Health Services, Series 2012A dated April 25, 2012 | 25-Apr-12 | 01-Oct-33 | 163,735,000 | 62,235,000 | 101,500,000 |
| Memorial Health Services, Series 2013A dated November 20, 2013 | 20-Nov-13 | 01-Oct-43 | 50,000,000 | - | 50,000,000 |
| Memorial Health Services, Series 2016A dated September 30, 2016 | 30-Sep-16 | 01-Oct-28 | 50,000,000 | - | 50,000,000 |
| Memorial Health Services, Series 2016B dated September 30, 2016 (Variable Rate) | 30-Sep-16 | 01-Oct-28 | 65,000,000 | - | 65,000,000 |
| Montecito Retirement Association, Series 2017A dated June 22, 2017 (Variable Rate) | 22-Jun-17 | 01-Jun-22 | 30,500,000 | - | 30,500,000 |
| Montecito Retirement Association, Series 2017B dated June 22, 2017 | 22-Jun-17 | 01-Jun-32 | 16,000,000 | - | 16,000,000 |
| Montecito Retirement Association, Series 2017C dated June 22, 2017 | 22-Jun-17 | 01-Jun-24 | 6,000,000 | 2,471,199 | 3,528,801 |
| No Place Like Home Program, Series 2019 (Social Bonds - Fed Taxable) dated November 19, 2019 | 19-Nov-19 | 01-Jun-34 | 500,000,000 | - | 500,000,000 |
| Northern California Presbyterian Homes and Services, Inc., Series 2015, dated April 15, 2015 | 15-Apr-15 | 01-Jul-44 | 63,210,000 | 4,870,000 | 58,340,000 |
| Paradise Valley Estates Project (NCROC), Series 2013 dated April 4, 2013 | 04-Apr-13 | 01-Jan-26 | 32,315,000 | 15,285,000 | 17,030,000 |
| Petaluma Health Center, Inc., 2016 Series A dated September 13, 2016 | 13-Sep-16 | 01-Jun-40 | 5,775,000 | 540,000 | 5,235,000 |
| Providence Health & Services, Series 2014A dated June 26, 2014 | 26-Jun-14 | 01-Oct-38 | 275,850,000 | 64,350,000 | 211,500,000 |
| Providence Health & Services, Series 2014B dated August 6, 2014 | 06-Aug-14 | 01-Oct-44 | 118,740,000 | - | 118,740,000 |
| Providence St. Joseph Health, Series 2016A dated September 28, 2016 | 28-Sep-16 | 01-Oct-47 | 448,165,000 | - | 448,165,000 |
| Providence St. Joseph Health, Series 2016B-1 dated September 28, 2016 | 28-Sep-16 | 01-Oct-36 | 95,240,000 | - | 95,240,000 |
| Providence St. Joseph Health, Series 2016B-2 dated September 28, 2016 | 28-Sep-16 | 01-Oct-36 | 95,245,000 | - | 95,245,000 |
| Providence St. Joseph Health, Series 2016B-3 dated September 28, 2016 | 28-Sep-16 | 01-Oct-36 | 95,245,000 | - | 95,245,000 |
| Providence St. Joseph Health, Series 2019B dated October 1, 2019 | 01-Oct-19 | 01-Oct-39 | 118,535,000 | - | 118,535,000 |
| Providence St. Joseph Health, Series 2019C dated October 15, 2019 | 15-Oct-19 | 01-Oct-39 | 323,760,000 | - | 323,760,000 |
| Rady Children's Hospital - San Diego, Series 2011 dated November 22, 2011 | 22-Nov-11 | 15-Aug-41 | 100,000,000 | 11,935,000 | 88,065,000 |

# CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
# BOND FINANCING PROGRAM FUND

## STATEMENT OF BONDS AND COLLATERALIZED NOTES, AUTHORIZED, ISSUED, AND OUTSTANDING
## JUNE 30, 2020

| Issued | Date Issued | Date of Final Maturity | Total Bonds Issued | Total Bonds Defeased/ Retired | Bonds Outstanding as of June 30, 2020 |
|---|---|---|---|---|---|
| San Fernando Valley Community Mental Health Center, Inc., 1998 Series A dated June1, 1998 | 01-Jun-98 | 01-Jun-23 | 3,700,000 | 2,950,000 | 750,000 |
| Scripps Health, 2001 Series A dated July 10, 2001 | 10-Jul-01 | 01-Oct-23 | 60,000,000 | 50,500,000 | 9,500,000 |
| Scripps Health, 2010 Series A dated February 4, 2010 | 04-Feb-10 | 15-Nov-36 | 120,000,000 | 20,640,000 | 99,360,000 |
| Scripps Health, 2010 Series B dated February 4, 2010 | 04-Feb-10 | 01-Oct-40 | 60,000,000 | - | 60,000,000 |
| Scripps Health, 2010 Series C dated February 4, 2010 | 04-Feb-10 | 01-Oct-40 | 40,000,000 | - | 40,000,000 |
| Scripps Health, Series 2012A dated February 1, 2012 | 01-Feb-12 | 15-Nov-40 | 175,000,000 | - | 175,000,000 |
| Scripps Health, Series 2012B dated February 1, 2012 (Variable) | 01-Feb-12 | 01-Oct-42 | 60,000,000 | - | 60,000,000 |
| Scripps Health, Series 2012C dated February 1, 2012 (Variable) | 01-Feb-12 | 01-Oct-42 | 40,000,000 | - | 40,000,000 |
| Scripps Health, Series 2016A dated February 29, 2016 | 29-Feb-16 | 01-Oct-25 | 50,000,000 | 15,820,000 | 34,180,000 |
| Scripps Health, Series 2016B dated February 29, 2016 | 29-Feb-16 | 01-Oct-25 | 100,000,000 | 40,000,000 | 60,000,000 |
| Scripps Health, Series 2017A dated January 31, 2017 (Revenue Rates) | 31-Jan-17 | 01-Oct-31 | 160,000,000 | - | 160,000,000 |
| Scripps Health, Series 2019A (Refunding) dated November 15, 2019 | 15-Nov-19 | 15-Nov-36 | 99,360,000 | - | 99,360,000 |
| Small Facilities Refinancing Program, 2005 Series A dated April 12, 2005 | 12-Apr-05 | 01-Apr-25 | 22,545,000 | 21,790,000 | 755,000 |
| St. Joseph Health System, 2009 Series C [RE-OFFERED on Oct. 16, 2015 $91,460,000] dated August 27, 2009 | 27-Aug-09 | 01-Jul-34 | 110,540,000 | 19,080,000 | 91,460,000 |
| St. Joseph Health System, 2009 Series D [RE-OFFERED on Oct. 18, 2016, $39,550,000] dated August 27, 2009 | 27-Aug-09 | 01-Jul-34 | 56,150,000 | 16,600,000 | 39,550,000 |
| St. Joseph Health System, Series 2013A dated July 24, 2013 (Fixed Rate) | 24-Jul-13 | 01-Jul-29 | 324,840,000 | - | 324,840,000 |
| St. Joseph Health System, Series 2013C dated July 24, 2013 (Variable Rate) | 24-Jul-13 | 01-Jul-43 | 110,000,000 | - | 110,000,000 |
| St. Joseph Health System, Series 2013D dated July 24, 2013 (Variable Rate) | 24-Jul-13 | 01-Jul-43 | 110,000,000 | - | 110,000,000 |
| Stanford Health Care 2015 Series A dated June 30, 2015 | 30-Jun-15 | 15-Aug-54 | 100,000,000 | - | 100,000,000 |
| Stanford Health Care 2015 Series B dated June 30, 2015 | 30-Jun-15 | 15-Aug-54 | 75,000,000 | - | 75,000,000 |

# CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
# BOND FINANCING PROGRAM FUND

## STATEMENT OF BONDS AND COLLATERALIZED NOTES, AUTHORIZED, ISSUED, AND OUTSTANDING
## JUNE 30, 2020

| Issued | Date Issued | Date of Final Maturity | Total Bonds Issued | Total Bonds Defeased/ Retired | Bonds Outstanding as of June 30, 2020 |
|---|---|---|---|---|---|
| Stanford Health Care, 2017 Series A (Refunding) dated December 28, 2017 | 28-Dec-17 | 15-Nov-40 | 454,200,000 | - | 454,200,000 |
| Stanford Health Care, 2020 Series A dated April 1, 2020 | 01-Apr-20 | 15-Aug-50 | 170,120,000 | - | 170,120,000 |
| Stanford Hospital and Clinics, 2008 Series A-1 dated June 2, 2008 | 02-Jun-08 | 15-Nov-40 | 70,500,000 | 69,825,000 | 675,000 |
| Stanford Hospital and Clinics, 2008 Series A-2 reoffer dated June 15, 2011 | 15-Jun-11 | 15-Nov-40 | 104,100,000 | 102,650,000 | 1,450,000 |
| Stanford Hospital and Clinics, 2008 Series A-3 refoffer dated June 16, 2011 | 16-Jun-11 | 15-Nov-40 | 85,700,000 | 84,525,000 | 1,175,000 |
| Stanford Hospital and Clinics, 2008 Series B-1 dated June 2, 2008 | 02-Jun-08 | 15-Nov-45 | 84,100,000 | - | 84,100,000 |
| Stanford Hospital and Clinics, 2008 Series B-2 vocational Visions, 2010 Series A reoffer dated June 15, 2011 | 15-Jun-11 | 15-Nov-45 | 84,100,000 | - | 84,100,000 |
| Stanford Hospital and Clinics, 2010 Series A dated June 16, 2010 | 16-Jun-10 | 15-Nov-31 | 149,345,000 | 142,585,000 | 6,760,000 |
| Stanford Hospital and Clinics, 2012 Series A dated May 23, 2012 | 23-May-12 | 15-Aug-51 | 340,000,000 | - | 340,000,000 |
| Stanford Hospital and Clinics, 2012 Series B dated May 23, 2012 | 23-May-12 | 15-Aug-23 | 68,320,000 | 39,550,000 | 28,770,000 |
| Stanford Hospital and Clinics, 2012 Series D dated May 23, 2012 | 23-May-12 | 15-Aug-51 | 100,000,000 | - | 100,000,000 |
| Sutter Health, 2008 Series A dated May 14, 2008 | 14-May-08 | 15-Aug-38 | 321,345,000 | 284,065,000 | 37,280,000 |
| Sutter Health, 2011 Series B dated February 10, 2011 | 10-Feb-11 | 15-Aug-42 | 475,000,000 | 462,285,000 | 12,715,000 |
| Sutter Health, Series 2011D dated December 22, 2011 | 22-Dec-11 | 15-Aug-35 | 310,300,000 | 21,870,000 | 288,430,000 |
| Sutter Health, Series 2013A dated April 24, 2013 | 24-Apr-13 | 15-Aug-52 | 450,000,000 | - | 450,000,000 |
| Sutter Health, Series 2015A dated November 12, 2015 | 12-Nov-15 | 15-Aug-43 | 189,165,000 | - | 189,165,000 |
| Sutter Health, Series 2016A dated February 3, 2016 | 03-Feb-16 | 15-Nov-46 | 475,445,000 | - | 475,445,000 |
| Sutter Health, Series 2016B dated August 17, 2016 | 17-Aug-16 | 15-Nov-46 | 748,610,000 | - | 748,610,000 |
| Sutter Health, Series 2016C dated August 17, 2016 | 17-Aug-16 | 15-Aug-53 | 100,000,000 | - | 100,000,000 |
| Sutter Health, Series 2017A dated July 6, 2017 | 06-Jul-17 | 15-Nov-48 | 434,460,000 | - | 434,460,000 |

# CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
# BOND FINANCING PROGRAM FUND

### STATEMENT OF BONDS AND COLLATERALIZED NOTES, AUTHORIZED, ISSUED, AND OUTSTANDING
### JUNE 30, 2020

| Issued | Date Issued | Date of Final Maturity | Total Bonds Issued | Total Bonds Defeased/ Retired | Bonds Outstanding as of June 30, 2020 |
|---|---|---|---|---|---|
| Sutter Health, Series 2018A dated April 4, 2018 | 04-Apr-18 | 15-Nov-48 | 619,025,000 | 4,570,000 | 614,455,000 |
| Tarzana Treatment Centers, Series 2019A dated March 20, 2019 | 20-Mar-19 | 01-Jun-44 | 8,865,000 | - | 8,865,000 |
| Tarzana Treatment Centers, Series 2019B (Taxable) dated March 20, 2019 | 20-Mar-19 | 01-Jun-44 | 4,635,000 | 330,000 | 4,305,000 |
| TLC Child & Family Services, Series 2011 dated October 7, 2011 | 07-Oct-11 | 01-Sep-25 | 2,475,000 | 1,485,000 | 990,000 |
| The Help Group, Series 2012 dated November 2, 2012 | 02-Nov-12 | 01-Aug-37 | 6,210,000 | 1,190,000 | 5,020,000 |
| Vocational Visions, 2010 Series A dated July 9, 2010 | 09-Jul-10 | 01-Jul-35 | 2,370,000 | 565,000 | 1,805,000 |
| **TOTAL** | | | | | **$ 17,867,944,380** |

# ADDITIONAL INFORMATION

# 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*

## Independent Auditor's Report

**CHFFA Members**
**California Health Facilities Financing Authority**
**Sacramento, California**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the California Health Facilities Financing Authority's (CHFFA) Bond Financing Program Fund (Bond Program), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the CHFFA Bond Program's basic financial statements, and have issued our report thereon dated November 3, 2021.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the CHFFA Bond Program's internal control over financial reporting (internal control) as a basis for designing 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 CHFFA Bond Program's internal control. Accordingly, we do not express an opinion on the effectiveness of the CHFFA Bond Program's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as item 2020-001 that we consider to be a significant deficiency.



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**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the CHFFA Bond Program's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

**CHFFA's Response to Finding**

The CHFFA Bond Program's response to the finding identified in our audit is described in the accompanying schedule of findings. The CHFFA Bond Program's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**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 CHFFA Bond Program'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 CHFFA Bond Program's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gilbert CPAs

**GILBERT CPAs**
**Sacramento, California**

**November 3, 2021**

### 2020-001 – TIMELY AND ACCURATE FINANCIAL REPORTING

**Criteria:**

An essential aspect of any organization's internal control over its financial reporting process is the ability to produce accurate and timely financial data in accordance with Generally Accepted Accounting Principles (GAAP). Accurate and timely financial reporting enables management and those charged with governance to have a sound financial basis for decision making and meet required reporting requirements.

Accounting principles for the CHFFA Bond Program, an enterprise fund, include a requirement that only activity of the reporting entity should be included in the financial statements, and a requirement that financial statements be presented on the full-accrual basis of accounting.

**Condition:**

The CHFFA Bond Program's accounting close process was not adequate to prepare financial statements in an efficient and timely manner. The accounting records at the beginning of the audit were not accurate, resulting in several audit adjustments (outlined below). Additionally, support requested for audit procedures was not provided in a timely manner during the audit process.

An audit adjustment was made to reduce accounts payable and expenses by $51,933 because invoices of a different fund were included in the CHFFA Bond Program's accounts.

An audit adjustment was made to increase revenue and increase accounts receivable by $87,500 for the annual administrative fees related to a Fall 2019 bond issuance for the No Place Like Home (NPLH) Program that were recorded when billed, subsequent to June 30, 2020, rather than when earned.

An audit adjustment was made to reduce accounts receivable and reduce the allowance for doubtful accounts by $167,133. This adjustment was the result of two errors: 1. $300,829 collected on delinquent accounts receivable were removed from accounts receivable and the allowance for doubtful accounts twice; and 2. An adjustment that was made during fiscal year 19/20 to correct for a Fi$Cal error in the 17/18 closing process was not reversed as it should have been. These errors had a $0 net effect but show that no reconciliation was performed between the accounts receivables total in the accounting records, and known outstanding administrative fees tracked by Bond Program staff.

**Cause:**

The CHFFA Bond Program and its accountants from the State Treasurer's Office did not incorporate a sufficient closing process to produce timely and accurate financial statements in accordance with GAAP. This could include insufficient training of accounting staff, insufficient review of accounting performed throughout the year, insufficient communication of expectations to accounting staff regarding their responsibilities during the audit, and insufficient review and reconciliation of account balances during the close process.

**Effect:**

The above condition and cause resulted in overstatement of accounts payable and expenses by $51,933, understatement of revenue and accounts receivable by $87,500, and overstatement of accounts receivable and the allowance for doubtful accounts by $167,133. Additionally, they resulted in a significantly delayed audit process.

The year-end close and reconciliation of the CHFFA Bond Program's financial data represents a significant internal control process of its financial reporting and should not rely on the additional level of control supplied by an external financial audit.

**Recommendation:**

We recommend that the CHFFA Bond Program and the State Treasurer's Office work together to develop a plan to improve the accuracy and timeliness of the financial recording and reporting process. This could include improving training of staff, oversight and review of staff work, review, and reconciliation of account balances at year-end, and communication of expectations of staff in regard to their responsibilities for timely responses during the audit process. State Treasurer's Office staff may be responsible for the internal control within the accounting department, but CHFFA Bond Program staff should review records periodically for accuracy and reasonableness and compare accounting records to schedules maintained by CHFFA program staff (for example, schedules of outstanding administrative fees).

**CHFFA Bond Program's Response:**

To address the aforementioned findings, the State Treasurer's Office (STO) will develop procedures with specific deadlines to ensure a timely monthly/year-end closing process. All monthly reconciliations will be reviewed by accounting management pursuant to the revised policy prior to fiscal year-end to correct any misstatements. Additionally, accounting management will emphasize the roles and responsibilities with accounting staff, as well as staff roles within the California Health Facilities Financing Authority (CHFFA). More specifically, the STO will work with the CHFFA bond financing program to confirm the ending balances are correct prior to the preparation and submission of financial statements to the State Controller's Office and/or an independent auditor.

No Place Like Home was added to CHFFA's accounting oversight in fiscal year 2019/20. In fiscal year 2020/21, the STO's Public Finance Division and CHFFA agreed to coordinate and certify the coding of invoice payments to avoid any coding or posting errors. STO accounting and CHFFA also agree on the importance of posting invoices to the correct program and have processes in place to ensure accuracy moving forward.

Accounting will also provide CHFFA with the necessary accounts receivable balance reports, which will allow CHFFA to review ending balances. This process will confirm that all receivable items are accurately accounted before financial statements are finalized. The amounts listed on the allowances for doubtful accounts will be reviewed during this process and matched to avoid any misstatements.

Furthermore, staff will prioritize any requests made by the auditors by providing the requested information in a timely manner. Management will engage in training accounting staff on the updated monthly/year-end reconciliation procedures implemented for fiscal year 2020/21. Moving forward, accounting staff and management will closely review invoices before processing or approving for payment(s), and a final review of year-end statements will catch any potential errors. These steps will provide sufficient updates to the STO's internal processes to produce timely and accurate financial statements in accordance with Generally Accepted Accounting Principles.