

Financial Statements

December 31, 2025 and 2024

Delta County Memorial Hospital

Independent Auditor’s Report 1

Management’s Discussion and Analysis 4

Financial Statements

 Statements of Net Position – Assets 9

 Statements of Net Position – Liabilities, Deferred Inflows of Resources, and Net Position 10

 Statements of Revenues, Expenses, and Changes in Net Position 11

 Statements of Cash Flows 12

 Notes to Financial Statements 14

Supplementary Information

 Schedule of Budgeted and Actual Revenues and Expenses – Hospital Only 38

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards..... 39

 Schedule of Findings and Responses 41



Independent Auditor's Report

The Board of Directors
Delta County Memorial Hospital
d/b/a Delta Health
Delta, Colorado

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities of the Delta County Memorial Hospital d/b/a Delta Health (the Hospital), as of and for the years then ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of Delta County Memorial Hospital, as of December 31, 2025 and 2024, and the respective changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Hospital and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Substantial Doubt About the Entity's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Hospital will continue as a going concern. As discussed in Note 13 to the financial statements, the Hospital has suffered recurring losses from operations and a limited cash position. These conditions raise substantial doubt about its ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 13. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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 Hospital's basic financial statements. The schedule of budgeted and actual revenues and expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of budgeted and actual revenues is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2026, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hospital's internal control over financial reporting and compliance.



Fargo, North Dakota
May 29, 2026

Introduction

Our discussion and analysis of Delta County Memorial Hospital's (Hospital) financial performance provides an overview of the Hospital's financial activities for the fiscal years ended December 31, 2025, 2024, and 2023. It should be read in conjunction with the accompanying financial statements of the Hospital, which begin on page 9. Delta County Memorial Hospital Foundation (Foundation), which is determined to be a blended component unit based on the Foundation's bylaws, is presented as a blended component unit in the Hospital's financial statements.

Financial Highlights

In 2025, the net position of the Hospital decreased by \$4,683,871 or 14.9%. In 2024, the Hospital's net position increased by \$149,095 or 0.5%. The Hospital recorded an operating loss of \$9,078,869 in 2025; \$7,127,596 in 2024; and \$3,923,742 in 2023. Net nonoperating revenues (expenses) were \$4,394,998 in 2025; \$7,276,691 in 2024; and \$8,122,473 in 2023.

Using this Annual Report

The Hospital's financial statements consist of three statements - a Statement of Net Position; a Statement of Revenues, Expenses and Changes in Net Position; and a Statement of Cash Flows. These statements provide information about the activities of the Hospital, including resources held by the Hospital, but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The Hospital is accounted for as a business-type activity and presents its financial statements using the accrual basis of accounting.

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

One of the most important questions to ask about the Hospital's finances is, "Is the Hospital, as a whole, in a better financial position as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the Hospital's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

These two statements report the Hospital's net position and changes in them. You can think of the Hospital's net position, the difference between assets, liabilities, and deferred inflows of resources, as one way to measure the Hospital's financial health or financial position. Over time, increases or decreases in the Hospital's net position are one indicator of whether its financial health is improving or deteriorating. You will also need to consider other nonfinancial factors, such as changes in the Hospital's patient base and measures of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the Hospital.

The Statement of Cash Flows

The final required statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments and net changes in cash resulting from operations, investing, non-capital financing and capital and related financing activities. It provides answers to such questions as where did cash come from, what was cash used for and what was the change in cash during the reporting period.

The Hospital's Net Position

The Hospital's net position is the difference between its assets, liabilities, and deferred inflows of resources in the Statements of Net Position. The Hospital's net position decreased in 2025 by \$4,683,871 or 14.9%, and increased in 2024 by \$149,095 or .5%, as shown in Table 1:

Table 1 – Assets, Liabilities, and Net Position

	2025	2024	2023
Assets			
Cash and equivalents (including restricted and designated funds)	\$ 3,692,471	\$ 4,126,200	\$ 6,518,774
Patient accounts receivable, net	17,994,690	18,118,102	15,215,071
Other current assets	6,926,079	3,760,389	5,589,745
Capital assets, net	26,716,719	24,849,608	25,409,901
Other noncurrent assets	1,111,055	5,968,311	4,914,083
Total assets	\$ 56,441,014	\$ 56,822,610	\$ 57,647,574
Liabilities and Deferred Inflows of Resources			
Current liabilities	\$ 22,446,774	\$ 19,569,876	\$ 15,279,660
Long-term liabilities	6,863,211	5,454,272	10,730,264
Total liabilities	29,309,985	25,024,148	26,009,924
Deferred Inflows of Resources	360,955	344,517	332,800
Net Position			
Net investment in capital assets	13,404,282	14,248,763	13,978,385
Restricted, expendable	1,422,179	1,433,799	1,215,063
Unrestricted	11,943,613	15,771,383	16,111,402
Total net position	26,770,074	31,453,945	31,304,850
Total liabilities, deferred inflows of resources, and net position	\$ 56,441,014	\$ 56,822,610	\$ 57,647,574

The Hospital's patient accounts receivable, decreased slightly in 2025 and increased in 2024 due to turnover in the revenue cycle department which caused a significant number of claims initially being denied before having to be re-worked. The current liabilities are larger in 2025 and 2024 compared to 2023 as the bonds were deemed to be in default due to certain covenants not being met. Accounts payable also increased in 2025 and 2024 due to cash flow limitations.

Operating Results and Changes in the Hospital's Net Position

The changes in net position will now be evaluated by looking at the Hospital's revenue and expenses as shown in Table 2.

Table 2 – Operating Results and Changes in Net Position

	2025	2024	2023
Operating Revenues			
Net patient service revenues	\$ 116,646,728	\$ 102,993,105	\$ 98,885,768
Other operating revenues	<u>1,751,897</u>	<u>2,229,239</u>	<u>5,409,965</u>
Total operating revenues	<u>118,398,625</u>	<u>105,222,344</u>	<u>104,295,733</u>
Operating Expenses			
Salaries and wages	52,068,829	49,905,955	45,253,949
Employee benefits	18,745,743	12,852,289	13,620,538
Purchased services and professional fees	19,873,847	14,345,486	13,561,835
Depreciation	2,975,861	2,611,456	2,727,086
Supplies and other	<u>33,813,214</u>	<u>32,634,754</u>	<u>33,056,067</u>
Total operating expenses	<u>127,477,494</u>	<u>112,349,940</u>	<u>108,219,475</u>
Operating Loss	<u>(9,078,869)</u>	<u>(7,127,596)</u>	<u>(3,923,742)</u>
Nonoperating Revenues (Expenses)			
Property taxes	390,290	435,309	371,843
Sales taxes	3,803,476	3,717,736	3,433,154
Investment income (loss), net	173,244	356,735	239,869
Interest expense	(748,719)	(579,293)	(649,130)
Employee retention credit contribution	-	1,044,060	3,801,576
Other nonoperating revenues	<u>776,707</u>	<u>2,302,144</u>	<u>925,161</u>
Total nonoperating revenues (expenses), net	<u>4,394,998</u>	<u>7,276,691</u>	<u>8,122,473</u>
Revenues in Excess of (Less Than) Expenses Before Transfers and Capital Contributions	(4,683,871)	149,095	4,198,731
Capital Contributions	<u>-</u>	<u>-</u>	<u>62,500</u>
Change in Net Position	(4,683,871)	149,095	4,261,231
Net Position, Beginning of the Year	<u>31,453,945</u>	<u>31,304,850</u>	<u>27,043,619</u>
Net Position, End of the Year	<u>\$ 26,770,074</u>	<u>\$ 31,453,945</u>	<u>\$ 31,304,850</u>

Operating Income

The first component of the overall change in the Hospital's net position is its operating income or loss, generally, the difference between net patient service revenue and other operating revenues and the expenses incurred to perform those services. In fiscal year 2025, the Hospital's operating loss was larger than in 2024 and 2023. The increased operating loss in 2025 was in large part due to losing the 340b status as well as net patient service revenue not outpacing the increase in operating expenses.

Net patient service revenues increased from approximately \$98.9 million in 2023 to approximately \$103.0 million in 2024, an increase of 4.2%, and then increased to \$116.6 million from 2024 to 2025, an increase of 13.3%. The increase in 2025 is attributed to higher volumes for outpatient services most notably in the clinical services provided. The Hospital acquired an orthopedic practice as well as a clinical practice in 2024 in Cedaredge, Colorado.

Operating expenses increased by 3.8% from fiscal year 2023 to fiscal year 2024, and increased by approximately 13.5% from fiscal year 2024 to fiscal year 2025 which is primarily due to an increase in salaries, employee benefits and purchased services and professional fees.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of sales taxes, property taxes, investment income, interest expense, employee retention credit contribution, noncapital grants and gifts and other revenue. Total nonoperating revenues decreased significantly as a whole due to the decrease in employee retention credit contribution and noncapital grants and gifts in 2025 when compared to 2024 and 2023.

The Hospital's Cash Flows

As reported in the statements of cash flows, cash and cash equivalents decreased approximately \$1.1 million from \$4.3 million at December 31, 2023 to \$3.2 million at December 31, 2024 and increased approximately \$1.5 million from \$3.2 million at December 31, 2024 to \$4.7 million at December 31, 2025. The decrease from 2023 to 2024 is mainly due to operational performance throughout the year. The increase from 2024 to 2025 is mainly due to the Employee Retention Credit funds being received in 2025.

Changes in the Hospital's operating cash flows are consistent with changes in operating income and nonoperating revenues and expenses discussed earlier.

Capital Assets

At the end of 2025 and 2024, the Hospital had approximately \$26.7 million and \$24.8 million invested in capital assets, net of accumulated depreciation. During 2025, the Hospital invested approximately \$1.6 million in new property and equipment. During 2024, the Hospital invested approximately \$2.0 million in new property and equipment. The Hospital also saw an increase in lease assets and subscription IT assets of approximately \$3.2 million in 2025. The 2025 capital expenditures mostly consisted of system upgrades and equipment.

Debt

At the end of 2025 and 2024, the Hospital had approximately \$7.7 million and \$7.8 million outstanding on its 2010 Tax Exempt Enterprise Revenue Bonds (Revenue Bonds) and equipment loans.

Contacting the Hospital's Financial Management

This financial report is designed to provide our patients, suppliers, creditors, and citizens with a general overview of the Hospital's finances and to the Hospital's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Hospital's Executive Office at 1501 East 3rd Street, Delta, Colorado 81416.

Delta County Memorial Hospital

Statements of Net Position – Assets

December 31, 2025 and 2024

	2025	2024
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,557,047	\$ 2,043,200
Internally designated cash and investments	2,135,424	2,083,000
Receivables		
Patient, net of allowance for doubtful accounts		
of \$12,829,000 in 2025 and \$11,261,000 in 2024	17,994,690	18,118,102
Estimated third-party payor settlements	3,285,030	-
Property tax	360,955	344,517
Other	960,101	670,726
Supplies	1,650,131	1,982,826
Prepaid expenses and other	669,862	762,320
Total current assets	28,613,240	26,004,691
Noncurrent Cash and Investments		
Internally designated	10,026	10,026
Held by trustee under debt agreements	1,101,029	1,112,649
Total noncurrent cash and investments	1,111,055	1,122,675
Capital Assets		
Capital assets not being depreciated	1,681,643	1,965,136
Depreciable capital assets, net of accumulated depreciation	20,187,260	20,386,638
Right to use leased assets, net of accumulated amortization	3,893,674	1,424,726
Right to use subscription IT assets, net of accumulated amortization	954,142	1,073,108
Total capital assets	26,716,719	24,849,608
Other Assets		
Employee retention credit receivable	-	4,845,636
Total assets	\$ 56,441,014	\$ 56,822,610

Delta County Memorial Hospital

Statements of Net Position – Liabilities, Deferred Inflows of Resources, and Net Position

December 31, 2025 and 2024

	2025	2024
Liabilities, Deferred Inflows of Resources, and Net Position		
Current Liabilities		
Current maturities of long-term debt	\$ 7,252,165	\$ 7,325,648
Current maturities of leases	659,186	312,633
Accounts payable		
Trade	7,287,094	3,268,781
Estimated third-party payor settlements	-	1,745,335
Advanced payments	739,183	1,272,000
Accrued expenses		
Salaries and wages	1,337,405	1,174,699
Uncompensated absences	2,984,269	2,131,987
Employee benefits and other	2,097,822	2,231,113
Interest	89,650	107,680
Total current liabilities	<u>22,446,774</u>	<u>19,569,876</u>
Noncurrent Liabilities		
Long-term debt, less current maturities	410,763	515,935
Leases, less current maturities	3,947,438	1,373,521
Subscription IT liabilities, less current maturities	1,042,885	1,073,108
Long-term compensated absences	<u>1,462,125</u>	<u>2,491,708</u>
Total noncurrent liabilities	<u>6,863,211</u>	<u>5,454,272</u>
Total liabilities	<u>29,309,985</u>	<u>25,024,148</u>
Deferred Inflows of Resources - Property Taxes	<u>360,955</u>	<u>344,517</u>
Net Position		
Net investment in capital assets	13,404,282	14,248,763
Restricted - expendable	1,422,179	1,433,799
Unrestricted	<u>11,943,613</u>	<u>15,771,383</u>
Total net position	<u>26,770,074</u>	<u>31,453,945</u>
Total liabilities, deferred inflows of resources, and net position	<u><u>\$ 56,441,014</u></u>	<u><u>\$ 56,822,610</u></u>

Delta County Memorial Hospital
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Operating Revenues		
Net patient service revenue, net of provision for bad debts of \$7,501,374 in 2025 and \$4,788,149 in 2024	\$ 116,646,728	\$ 102,993,105
Other operating revenue	<u>1,751,897</u>	<u>2,229,239</u>
Total revenues, gains, and other support	<u>118,398,625</u>	<u>105,222,344</u>
Operating Expenses		
Salaries and wages	52,068,829	49,905,955
Employee benefits	18,745,743	12,852,289
Purchased services and professional fees	19,873,847	14,345,486
Depreciation and amortization	2,975,861	2,611,456
Supplies	23,342,625	21,235,680
Hospital provider fee	4,568,322	4,860,142
Repairs and maintenance	2,670,488	2,716,530
Other	<u>3,231,779</u>	<u>3,822,402</u>
Total operating expenses	<u>127,477,494</u>	<u>112,349,940</u>
Operating Loss	<u>(9,078,869)</u>	<u>(7,127,596)</u>
Nonoperating Revenues (Expenses)		
Property taxes	390,290	435,309
Sales taxes	3,803,476	3,717,736
Investment income	173,244	356,735
Interest expense	(748,719)	(579,293)
Noncapital grants and gifts	701,171	2,148,427
Employee retention credit contribution	-	1,044,060
Other income	<u>75,536</u>	<u>153,717</u>
Total nonoperating revenues (expenses), net	<u>4,394,998</u>	<u>7,276,691</u>
Revenues in Excess of (less than) Expenses and Change in Net Position	(4,683,871)	149,095
Net Position, Beginning of the Year	<u>31,453,945</u>	<u>31,304,850</u>
Net Position, End of the Year	<u><u>\$ 26,770,074</u></u>	<u><u>\$ 31,453,945</u></u>

Delta County Memorial Hospital
Statements of Cash Flows
Years Ended December 31, 2025 and 2024

	2025	2024
Operating Activities		
Receipts from and on behalf of patients	\$ 111,739,775	\$ 101,159,035
Payments to suppliers and contractors	(49,243,595)	(48,666,253)
Payments to or on behalf of employees	(70,962,458)	(62,458,272)
Other receipts, net	1,467,665	4,452,371
Net Cash Used For Operating Activities	<u>(6,998,613)</u>	<u>(5,513,119)</u>
Noncapital Financing Activities		
Property taxes supporting operations	390,290	435,309
Proceeds from sales taxes	3,798,333	3,712,735
Other	776,707	2,302,144
Payments made on advanced payments	(532,817)	(200,000)
Proceeds from employee retention credit contribution	4,845,636	-
Net Cash From Noncapital Financing Activities	<u>9,278,149</u>	<u>6,250,188</u>
Capital and Related Financing Activities		
Purchase and construction of capital assets	(1,613,697)	(2,045,372)
Proceeds from long-term debt	750,000	1,724,277
Principal payments on long-term debt	(936,472)	(2,161,198)
Interest paid on long-term debt	(626,687)	(443,116)
Principal payments on leases	(308,805)	(326,932)
Interest paid on leases	(98,900)	(112,625)
Principal payments on subscription IT liabilities	(30,223)	(80,426)
Interest paid on subscription IT liabilities	(33,345)	(30,818)
Net Cash Used For Capital and Related Financing Activities	<u>(2,898,129)</u>	<u>(3,476,210)</u>
Investing Activities		
Sales and maturities of investments	3,187,941	1,297,493
Interest and dividends on investments	151,170	279,457
Purchases of investments	(1,182,535)	-
Net Cash From Investing Activities	<u>2,156,576</u>	<u>1,576,950</u>
Net Change in Cash and Cash Equivalents	1,537,983	(1,162,191)
Cash and Cash Equivalents, Beginning of Year	<u>3,174,639</u>	<u>4,336,830</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,712,622</u>	<u>\$ 3,174,639</u>
Reconciliation of Cash to Statements of Net Position		
Cash and cash equivalents	\$ 1,557,047	\$ 2,043,200
Internally designated cash and cash equivalents	<u>3,155,575</u>	<u>1,131,439</u>
	<u>\$ 4,712,622</u>	<u>\$ 3,174,639</u>

Delta County Memorial Hospital
Statements of Cash Flows
Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities		
Operating loss	\$ (9,078,869)	\$ (7,127,596)
Adjustments to reconcile operating income to net cash used for operating activities		
Depreciation and amortization	2,975,861	2,611,456
Provision for bad debts	7,501,374	4,788,149
Changes in assets, liabilities, and deferred inflows of resources		
Patient accounts receivable, net	(7,377,962)	(7,691,180)
Other receivables	(284,232)	2,223,132
Supplies	332,695	(410,964)
Prepaid expenses and other	92,458	33,906
Accounts payable	4,018,313	(1,308,955)
Accrued expenses	(147,886)	299,972
Estimated third-party payor settlements	<u>(5,030,365)</u>	<u>1,068,961</u>
Net Cash Used For Operating Activities	<u>\$ (6,998,613)</u>	<u>\$ (5,513,119)</u>
Schedule of Non-Cash Investing, Capital, and Financing Activities		
Lease liability for the acquisition of right to use leased assets	<u>\$ 3,229,275</u>	<u>\$ 132,956</u>
Subscription IT liability modification of right to use subscription IT assets	<u>\$ -</u>	<u>\$ (127,165)</u>

Note 1 - Reporting Entity and Summary of Significant Accounting Policies

The financial statements of Delta County Memorial Hospital d/b/a Delta Health (Hospital) have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the Hospital are described below.

Reporting Entities

The Hospital was created in 1964 as a political subdivision of the State of Colorado. The Hospital is not a component unit of another governmental entity. The Hospital began operations in 1975. The Hospital is a 49-bed acute care facility located in Delta, Colorado and has a publicly elected five-member Board of Directors.

For financial reporting purposes, the Hospital has included all funds, organizations, agencies, boards, commissions, and authorities. The Hospital has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Hospital are such that the exclusion would cause the Hospital's financial situation to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Hospital to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Hospital.

Blended Component Unit

The Delta County Memorial Hospital Foundation (Foundation), a separate legal entity with its own Board of Trustees, exists to raise funds for the Hospital and assist in the providing of educational opportunities for health career students. The Foundation is a Colorado non-profit corporation and has been recognized by the Internal Revenue Service as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). The Foundation is included as a blended component unit of the Hospital. The financial statements include only the financial activity of the Hospital and Foundation, collectively referred to as the Hospital. Financial statements of the Foundation can be obtained by contacting the Hospital's Chief Financial Officer.

Measurement Focus and Basis of Accounting

Measurement focus refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recognized when earned, and expenses are recorded when the liability is incurred.

Basis of Presentation

The statement of net position displays the Hospital's assets, liabilities, and deferred inflows, with the difference reported as net position. Net position is reported in the following categories/components:

Net investment in capital assets consists of net capital assets and right to use leased assets, subscription IT assets, reduced by the outstanding balances of any related debt obligations, lease liabilities, subscription IT liabilities, and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets or the related debt obligations and increased by balances of deferred outflows of resources related to those assets or debt obligations.

Restricted net position:

Restricted - expendable net position results when constraints placed on net position use are either externally imposed or imposed through enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Hospital's policy is to first apply the expense toward the most restrictive resources and then toward unrestricted resources.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less, excluding internally designated or restricted cash and investments. For purposes of the statement of cash flows, the Hospital considers all cash and investments with an original maturity of three months or less as cash and cash equivalents.

Patient Receivables

Patient receivables are uncollateralized noninterest bearing patient and third-party payor obligations. Payments of patient receivables are allocated to the specific claims identified in the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

The carrying amount of patient receivables is reduced by a valuation allowance that reflects management's estimate of amounts that will not be collected from patients and third-party payors. Management reviews patient receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients due to bad debts. Management considers historical write off and recovery information in determining the estimated bad debt provision.

Property Tax Receivable and Revenue

Property tax receivable is recognized on the lien date, which is January 1 of the tax year in Colorado. The property tax receivable represents taxes certified by the County Board of Supervisors to be collected in the next fiscal year. However, by statute, the tax asking becomes effective on the first day of the following year. Although the property tax receivable has been recorded, the related revenue is considered a deferred inflow of resources – unavailable revenue and will not be recognized as revenue until the year for which it is levied. The Hospital received less than 1% of its financial support from property taxes in 2025 and 2024. These funds were used to support operations.

Lien date	-	January 1
Levy date	-	January 1, succeeding year
Due dates	-	February 28 and June 15, succeeding year

Supplies

Supplies are stated at lower of cost (first-in, first-out) or market and are expensed when used.

Noncurrent Cash and Investments

Noncurrent cash and investments are restricted by trustee for debt reserve and restricted by donors. Certificates of deposit and other deposits are recorded at historical cost. Other investments are measured at fair value.

Investment Income

Interest, dividends, gains and losses, both realized and unrealized, on investments and deposits are included in nonoperating revenues when earned.

Capital Assets

Property and equipment acquisitions in excess of \$5,000 are capitalized and recorded at cost. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. The estimated useful lives of property and equipment are as follows:

Land improvements	5-30 years
Buildings and improvements	5-40 years
Equipment	5-15 years

Gifts of long-lived assets such as land, buildings, or equipment are reported as additions to unrestricted net position and are excluded from revenues in excess of (less than) expenses. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted net position.

Interest cost before the end of a construction period is recognized as an expense in the period in which the cost is incurred.

Right to Use Leased Assets

Right to use leased assets are recognized at the lease commencement date and represent the Hospital's right to use an underlying asset for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the lease asset into service. Right to use leased assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method. The amortization period varies from 5 to 10 years.

Right to Use Subscription IT Assets

Right to use subscription IT assets are recognized at the subscription commencement date and represent the Hospital's right to use the underlying IT asset for the subscription term. Right to use subscription IT assets are measured at the initial value of the subscription liability plus any payments made to the vendor at the commencement of the subscription term, less any subscription incentives received from the vendor at or before the commencement of the subscription term, plus any capitalizable initial implementation costs necessary to place the subscription asset into service. Right to use subscription IT assets are amortized over the shorter of the subscription term or useful life of the underlying asset using the straight-line method. The amortization period is 10 years.

Bond Discounts

Bonds payable are reported net of the applicable bond discount. Bond discounts are amortized over the life of the related debt using the effective interest method. Amortization is included in interest expense.

Compensated Absences

Most of the Hospital's employees earn cumulative annual leave (CAL) for vacation. Expense and the related liability are recognized as benefits when earned. The Extended Illness Bank and Paid Sick and Safe Time benefits (sick leave benefits) are recognized as a liability when earned to the extent it is more likely than not that the employee will use them. Sick leave benefits not expected to be used are not accrued. CAL and sick leave benefits are computed using the regular pay rates in effect at the statement of net position date, plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date. The compensated absences liability is separately presented on the consolidated statement of net position as current and long-term, based on the estimated timing of future payments.

Estimated Health Claims Payable

The Hospital is partially self-insured for a portion of its exposure to its risk from employee health claims and purchases annual stop-loss coverage for all claims in excess of \$175,000 per claim for the years ended December 31, 2025 and 2024. Reserves of \$1,213,000 and \$775,000 at December 31, 2025 and 2024, which are included in employee benefits in current liabilities on the statements of net position, are estimated based upon historical submission and payment data, cost trends, utilization history, and other relevant factors. Adjustments to reserves are reflected in the operating results in the period in which the change in estimate is identified.

Deferred Inflows of Resources

Deferred inflows of resources represent an increase in net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. The deferred inflows of resources reported in the financial statements are for property taxes. Property taxes are recognized as revenue in the year they are levied.

Lease Liability

Lease Liabilities represent the Hospital's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments are discounted based on a borrowing rate determined by the Hospital.

Subscription IT Liabilities

Subscription IT liabilities represent the Hospital's obligation to make the subscription payments arising from the subscription contract. Subscription liabilities are recognized at the subscription commencement date based on the present value of future subscription payments expected to be made during the subscription term. The present value of subscription payments are discounted based on a borrowing rate determined by the Hospital.

Operating Revenues and Expenses

The Hospital's statements of revenues, expenses, and changes in net position distinguishes between operating and nonoperating activities. Operating activities of the Hospital result from exchange transactions associated with providing health care services - the Hospital's principal activity, and the costs of providing those services, including depreciation and excluding interest cost. All other revenues and expenses are reported as nonoperating.

Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Charity Care

The Hospital provides health care services to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Since the Hospital does not pursue collection of these amounts, they are not reported as patient service revenue. The estimated cost of providing these services was approximately \$195,000 and \$239,000 for the years ended December 31, 2025 and 2024, calculated by multiplying the ratio of cost to gross charges for the Hospital by the gross uncompensated charges associated with providing charity care to its patients.

Provider Fee Program

In 2010, the state of Colorado adopted a provider fee program, approved by the Centers for Medicare and Medicaid Services (CMS), under which all hospitals in the state were assessed a fee based on bed size and payor mix. The state of Colorado uses the fees to supplement state budget funds for the Medicaid program, which brings matching federal monies into the program, enabling the state of Colorado to fund Medicaid payments to hospitals at a higher rate than would otherwise be possible. The Hospital's expense was approximately \$4,568,000 and \$4,860,000 in provider fees for the years ended December 31, 2025 and 2024, which are recorded in operating expenses. The Hospital's revenue was approximately \$10,577,000 and \$10,948,000 of supplemental payments for the years ended December 31, 2025 and 2024, which are recorded as part of net patient service revenue.

Grants and Contributions

The Hospital may receive grants as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating activities. Amounts restricted to capital acquisitions are reported after revenues in excess of (less than) expenses.

Budgets

The Hospital adopts an annual budget in accordance with Colorado Statutes. The budgeted revenue and expenditures are used by management as a control device during the year. Budgets are adopted on a basis that is consistent with generally accepted accounting principles.

Note 2 - Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare: The Hospital participates in the Rural Community Hospital Demonstration Project. Under this program, inpatient acute care and swing bed services rendered to Medicare program beneficiaries are paid based on their reasonable costs for covered inpatient services. Certain outpatient services related to Medicare beneficiaries are paid based on a combination of a prospective pay system and fee schedules. Under a prospective pay system, payments to the Hospital are based on a predetermined package rate based on services provided to patients. The Hospital is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare Administrative Contractor (MAC). The Hospital's Medicare cost reports have been audited by the MAC through the year ended December 31, 2022.

Medicaid: Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient non-acute services, certain outpatient services, and defined capital costs related to Medicaid program beneficiaries are paid based on a cost-reimbursement methodology. The Hospital is reimbursed for outpatient services at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and review thereof by the Medicaid Program.

The Hospital has also entered into payment agreements with certain commercial insurance carriers and other organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Concentration of gross revenues by major payor accounted for the following percentages of the Hospital's patient service revenues for the years ended December 31, 2025 and 2024:

	2025	2024
Medicare	55%	55%
Medicaid	12%	14%
Blue Cross and Other Commercial Payors	30%	28%
Self Pay	3%	3%
	<u>100%</u>	<u>100%</u>

Laws and regulations governing the Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Patient service revenue increased \$2,278,000 and \$668,000 for the years ended December 31, 2025 and 2024 due to removal of allowances previously estimated that are no longer necessary as a result of final settlements and years that are no longer likely subject to audits, reviews, and investigations and changes in estimated settlements.

Advanced Payments

During the year ended December 31, 2023, the Hospital received \$1,472,000 in advanced payments from UnitedHealthcare. During the years ended December 31, 2025 and 2024, the Hospital repaid \$532,817 and \$200,000, respectively, and as of December 31, 2025 and 2024 had a balance of \$739,183 and \$1,272,000, respectively, which will be paid back at a rate of \$50,000 per month until paid in full.

Note 3 - Fair Value Measurements

The Hospital has determined the fair value of certain assets in accordance with generally accepted accounting principles, which provides a framework for measuring fair value. A hierarchy of valuation classifications considers whether the inputs used in valuation techniques are observable or unobservable. Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy prioritizes the valuation inputs into the following three broad levels:

Level 1 – Unadjusted quoted prices for identical instruments in active markets that the reporting entity has the ability access at the measurement date.

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are directly or indirectly observable. Examples would be matrix pricing, market corroborated pricing and inputs such as yield curves and indices.

Level 3 – Valuations derived from valuation techniques in which significant inputs or significant value drivers are unobservable and may rely on the Hospital's own assumptions, but the market participant's assumptions may be used in pricing the asset.

Inputs used to measure fair value might fall in different levels of the fair value hierarchy, in which case the Hospital defaults to the lowest level input that is significant to the fair value measurement in its entirety. These levels are not necessarily an indication of the risk or liquidity associated with the investments. In determining the appropriate levels, the Hospital performed a detailed analysis of the assets that are subject to fair value measurement. The Hospital establishes the fair value of certain investments that do not have a readily determinable fair value by using net asset value (NAV) per unit. Investments measured at NAV per unit are not categorized within the fair value hierarchy.

The fair value of equities was determined based on quoted prices for identical securities in active markets, which is considered a Level 1 input. The fair value of debt securities was determined based on quoted prices for similar securities in active markets and/or quoted prices in markets that are not active, which are considered Level 2 inputs.

NAV per share, is used to estimate the fair value of the Colorado Local Government Liquid Asset Trust, which does not have a readily determinable fair value. Investments that are measured at fair value using NAV per share as a practical expedient are not classified in the fair value hierarchy.

Delta County Memorial Hospital

Notes to Financial Statements

December 31, 2025 and 2024

Assets measured at fair value on a recurring basis and the related fair values of these assets, except those measured at cost or by NAV per share as identified, at December 31, 2025 are as follows:

	Total	Level 1	Level 2	Level 3
Equities	\$ 10,026	\$ 10,026	\$ -	\$ -
Cash and bank deposits (at cost)	4,712,622			
Colorado local government liquid asset trust (at NAV)	80,878			
	<u>\$ 4,803,526</u>			

Assets measured at fair value on a recurring basis and the related fair values of these assets, except those measured at cost or by NAV per share as identified, at December 31, 2024, are as follows:

	Total	Level 1	Level 2	Level 3
Federal National Mortgage Association Equities	\$ 1,986,751 10,026	\$ - 10,026	\$ 1,986,751 -	\$ - -
	1,996,777	\$ 10,026	\$ 1,986,751	\$ -
Cash and bank deposits (at cost)	3,174,639			
Colorado local government liquid asset trust (at NAV)	77,459			
	<u>\$ 5,248,875</u>			

The following table sets forth additional disclosures for the fair value measurements in certain entities that calculate NAV per share for the years ended December 31, 2025 and 2024:

December 31, 2025					
Investment Type	Number of Investments	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Colorado Local Government Liquid Asset Trust	1	\$ 80,878	\$ -	Daily	1 day
December 31, 2024					
Investment Type	Number of Investments	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Colorado Local Government Liquid Asset Trust	1	\$ 77,459	\$ -	Daily	1 day

Colorado Local Government Liquid Asset Trust – Funds are invested in U.S. Treasury securities or repurchase agreements collateralized by U.S. Treasury securities, government agencies, and the highest-rated commercial paper.

Note 4 - Deposits and Investments

The carrying amounts of deposits and investments at December 31, 2025 and 2024 are as follows:

	2025	2024
Carrying Amount		
Cash and bank deposits	\$ 4,712,622	\$ 3,174,639
Investments	90,904	2,074,236
	<u>\$ 4,803,526</u>	<u>\$ 5,248,875</u>

Deposits and investments are reported in the following statement of net position captions:

	2025	2024
Cash and Cash Equivalents	\$ 1,557,047	\$ 2,043,200
Internally Designated to Meet Current Obligations	2,135,424	2,083,000
Internally Designated	10,026	10,026
Restricted Investments Held by Trustee for Debt Service	1,101,029	1,112,649
	<u>\$ 4,803,526</u>	<u>\$ 5,248,875</u>

Deposits – Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank or investment company failure, the Hospital's deposits may not be returned to it. State statute requires that any deposits in excess of federal depository or other insured amounts be collateralized by U.S. Government securities in the name of the Hospital. Statutes also require that the market value of the collateral be at least 102% of the excess deposits. The Hospital's deposit policy does not further restrict bank deposits or limit investment deposits.

The Hospital's deposits in banks at December 31, 2025 and 2024 were entirely covered by federal depository insurance or by collateral held by the Hospital's custodial bank in the Hospital's name.

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by PDPA.

PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At December 31, 2025 and 2024, the Hospital's deposits were entirely covered by FDIC and PDPA.

Investments

The Hospital's investments are reported at fair value and net asset value (NAV) per share. The Hospital is authorized by statute to invest funds in obligations of the United States and certain U.S. government agency securities; certain general and revenue obligations of any state of the United States; local government investment pools; certain money market funds; commercial paper; written repurchase and reverse repurchase agreements collateralized by certain authorized securities; certain guaranteed investment contracts, and certain U.S. dollar denominated corporate or bank security.

The Hospital had the following investments and maturities at December 31, 2025 and 2024:

December 31, 2025			Investment Maturities (in Years)		
Investment Type	Carrying Value	Rating	Less Than 1	1-5	6-10
Equities	\$ 10,026	N/A	\$ 10,026	\$ -	\$ -
Colorado Local Government Liquid Asset Trust (at NAV)	80,878	AAAm	80,878	-	-
	<u>\$ 90,904</u>		<u>\$ 90,904</u>	<u>\$ -</u>	<u>\$ -</u>
December 31, 2024			Investment Maturities (in Years)		
Investment Type	Carrying Value	Rating	Less Than 1	1-5	6-10
Federal National Mortgage Association	\$ 1,986,751	AA+	\$ 1,986,751	\$ -	\$ -
Equities	10,026	N/A	10,026	-	-
Colorado Local Government Liquid Asset Trust (at NAV)	77,459	AAAm	77,459	-	-
	<u>\$ 2,074,236</u>		<u>\$ 2,074,236</u>	<u>\$ -</u>	<u>\$ -</u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Hospital's investment policy limits investments to securities that mature 15 years or less from the date of purchase, unless otherwise authorized by the governing body.

Credit Risk

The Hospital's investment policy and State statutes limit investments in U.S. government agency securities to one of the three highest rating categories of at least one nationally recognized statistical rating organizations (NRSROs) at the time of purchase.

Concentration of Credit Risk

The Hospital will limit credit risk, the risk of loss due to the failure of the security issuer or backer, by diversifying in the investment portfolio so that potential losses on individual securities will be minimized. The Hospital does not have a formally adopted investment policy for managing concentration of credit risk.

Delta County Memorial Hospital

Notes to Financial Statements

December 31, 2025 and 2024

The Hospital's investments are invested in a number of securities as follows:

	2025	2024
Colorado Local Government Liquid Asset Trust	89%	4%
Equities	11%	0%
Federal National Mortgage Association	0%	96%
	<u>100%</u>	<u>100%</u>

Investment Income

Investment income and gains and losses on cash equivalents and investments consist of the following for the years ended December 31, 2025 and 2024:

	2025	2024
Investment Income		
Interest income	\$ 151,170	\$ 279,457
Change in unrealized gains and losses on investments	<u>22,074</u>	<u>77,278</u>
	<u>\$ 173,244</u>	<u>\$ 356,735</u>

Delta County Memorial Hospital

Notes to Financial Statements

December 31, 2025 and 2024

Note 5 - Capital Assets

Capital assets additions, retirements, transfers and balances for the year ended December 31, 2025 are as follows:

	December 31, 2024	Additions	Retirements/ transfers	December 31, 2025
Capital Assets Not Being Depreciated				
Land	\$ 1,233,331	\$ -	\$ -	\$ 1,233,331
Construction in progress	731,805	157,805	(441,298)	448,312
Total capital assets not being depreciated	<u>\$ 1,965,136</u>	<u>\$ 157,805</u>	<u>\$ (441,298)</u>	<u>\$ 1,681,643</u>
Capital Assets Being Depreciated				
Land improvements	\$ 1,788,472	\$ 50,089	\$ 17,660	\$ 1,856,221
Building and building improvements	37,619,673	29,957	134,152	37,783,782
Fixed equipment	54,460	-	-	54,460
Major movable equipment	29,851,340	1,375,846	157,529	31,384,715
Total capital assets being depreciated	<u>69,313,945</u>	<u>\$ 1,455,892</u>	<u>\$ 309,341</u>	<u>71,079,178</u>
Less Accumulated Depreciation for				
Land improvements	(1,583,841)	\$ (66,733)	\$ -	(1,650,574)
Building and building improvements	(20,595,162)	(1,049,920)	-	(21,645,082)
Fixed equipment	(54,460)	-	-	(54,460)
Major movable equipment	(26,693,844)	(979,915)	131,957	(27,541,802)
Total accumulated depreciation	<u>(48,927,307)</u>	<u>\$ (2,096,568)</u>	<u>\$ 131,957</u>	<u>(50,891,918)</u>
Net capital assets being depreciated	<u>\$ 20,386,638</u>			<u>\$ 20,187,260</u>
Right of Use Leased Assets Being Amortized				
Right to use leased equipment	\$ 2,413,619	\$ 3,229,275	\$ -	5,642,894
Right to use leased building	213,543	-	-	213,543
Total right to use assets being amortized	2,627,162	3,229,275	-	5,856,437
Total accumulated amortization	<u>(1,202,436)</u>	<u>(760,327)</u>	<u>-</u>	<u>(1,962,763)</u>
Net right of use leased assets	<u>\$ 1,424,726</u>	<u>\$ 2,468,948</u>	<u>\$ -</u>	<u>3,893,674</u>
Right to use Subscription IT Assets				
Being amortized	\$ 1,182,662	\$ -	\$ -	\$ 1,182,662
Less accumulated amortization	(109,554)	(118,966)	-	(228,520)
Net right to use subscription IT assets	<u>\$ 1,073,108</u>	<u>\$ (118,966)</u>	<u>\$ -</u>	<u>\$ 954,142</u>
Capital assets, net	<u>\$ 24,849,608</u>			<u>\$ 26,716,719</u>

Delta County Memorial Hospital

Notes to Financial Statements

December 31, 2025 and 2024

Capital assets additions, retirements, transfers and balances for the year ended December 31, 2024 are as follows:

	December 31, 2023	Additions	Retirements/ transfers	December 31, 2024
Capital assets not being depreciated				
Land	\$ 1,233,331	\$ -	\$ -	\$ 1,233,331
Construction in progress	733,994	514,661	(516,850)	731,805
Total capital assets, not being depreciated	<u>\$ 1,967,325</u>	<u>\$ 514,661</u>	<u>\$ (516,850)</u>	<u>\$ 1,965,136</u>
Capital assets being depreciated				
Land improvements	\$ 1,788,472	\$ -	\$ -	\$ 1,788,472
Building and building improvements	36,736,301	443,486	439,886	37,619,673
Fixed equipment	54,460	-	-	54,460
Major movable equipment	28,706,594	1,087,225	57,521	29,851,340
Total capital assets, being depreciated	<u>67,285,827</u>	<u>\$ 1,530,711</u>	<u>\$ 497,407</u>	<u>69,313,945</u>
Less accumulated depreciation for				
Land improvements	(1,511,949)	\$ (71,892)	\$ -	(1,583,841)
Building and building improvements	(19,564,764)	(1,030,398)	-	(20,595,162)
Fixed equipment	(54,460)	-	-	(54,460)
Major movable equipment	(25,721,588)	(991,699)	19,443	(26,693,844)
Total accumulated depreciation	<u>(46,852,761)</u>	<u>\$ (2,093,989)</u>	<u>\$ 19,443</u>	<u>(48,927,307)</u>
Net capital assets, being depreciated	<u>\$ 20,433,066</u>			<u>\$ 20,386,638</u>
Right of Use Leased Assets Being Amortized				
Equipment	\$ 2,280,663	\$ 132,956	\$ -	2,413,619
Building	213,543	-	-	213,543
Total right to use assets being amortized	2,494,206	132,956	-	2,627,162
Total accumulated amortization	<u>(750,862)</u>	<u>(451,574)</u>	<u>-</u>	<u>(1,202,436)</u>
Total right of use leased assets, net	<u>\$ 1,743,344</u>	<u>\$ (318,618)</u>	<u>\$ -</u>	<u>\$ 1,424,726</u>
Right to use Subscription IT Assets				
Being amortized	\$ 1,309,827	\$ -	\$ (127,165)	\$ 1,182,662
Less accumulated amortization	<u>(43,661)</u>	<u>(65,893)</u>	<u>-</u>	<u>(109,554)</u>
Net right to use subscription IT assets	<u>\$ 1,266,166</u>	<u>\$ (65,893)</u>	<u>\$ (127,165)</u>	<u>\$ 1,073,108</u>
Capital assets, net	<u>\$ 25,409,901</u>			<u>\$ 24,849,608</u>

Delta County Memorial Hospital

Notes to Financial Statements

December 31, 2025 and 2024

Construction in progress at December 31, 2025 represents electronic health record upgrades and anesthesia department updates. The estimated cost to complete these projects is approximately \$98,000 as of December 31, 2025. The electronic health record upgrade project is expected to be completed in 2026 once the grant funds are received. The anesthesia department update project is expected to be completed in the first half of 2026 and will be funded through operating funds.

Note 6 - Long-Term Liabilities

Long-term liabilities consist of:

	Balance December 31, 2024	Additions	Reductions	Balance December 31, 2025	Amounts Due within One Year
Series 2010 Enterprise Revenue					
Refunding Bonds (1)	\$ 5,720,000	\$ -	\$ (830,000)	\$ 4,890,000	\$ 4,890,000
Original issue discount	(44,298)	-	7,817	(36,481)	-
Note payable (2)	444,819	-	(66,621)	378,198	69,856
Note payable (3)	221,062	-	(39,851)	181,211	42,309
Line of credit (5)	1,500,000	750,000	-	2,250,000	2,250,000
Total long-term debt	7,841,583	750,000	(928,655)	7,662,928	7,252,165
Compensated absences*	4,623,695	-	(177,301)	4,446,394	2,984,269
Total long term liabilities	<u>\$ 12,465,278</u>	<u>\$ 750,000</u>	<u>\$ (1,105,956)</u>	<u>\$ 12,109,322</u>	<u>\$ 10,236,434</u>
	Balance December 31, 2023	Additions	Reductions	December 31, 2024	Amounts Due within One Year
Series 2010 Enterprise Revenue					
Refunding Bonds (1)	\$ 6,510,000	\$ -	\$ (790,000)	\$ 5,720,000	\$ 5,720,000
Original issue discount	(52,115)	-	7,817	(44,298)	-
Note payable (2)	512,802	-	(67,983)	444,819	65,797
Note payable (3)	-	224,277	(3,215)	221,062	39,851
Line of credit (4)	1,300,000	-	(1,300,000)	-	-
Line of credit (5)	-	1,500,000	-	1,500,000	1,500,000
Total long-term debt	8,270,687	1,724,277	(2,153,381)	7,841,583	7,325,648
Compensated absences*	4,102,288	521,407	-	4,623,695	2,131,987
Total long term liabilities	<u>\$ 12,372,975</u>	<u>\$ 2,245,684</u>	<u>\$ (2,153,381)</u>	<u>\$ 12,465,278</u>	<u>\$ 9,457,635</u>

*The roll-forward schedule only reports the net change in the compensated absences liability.

Delta County Memorial Hospital

Notes to Financial Statements

December 31, 2025 and 2024

Long-term debt maturities are as follows:

Years Ending December 31,	Principal	Interest	Total
2026	\$ 7,252,165	\$ 346,128	\$ 7,598,293
2027	119,083	24,610	143,693
2028	126,427	17,265	143,692
2029	129,890	9,467	139,357
2030	71,844	2,911	74,755
Original issue discount	(36,481)	36,481	-
Total	<u>\$ 7,662,928</u>	<u>\$ 436,862</u>	<u>\$ 8,099,790</u>

(1) The Series 2010 Enterprise Revenue Refunding Bonds have interest rates ranging from 5% to 5.5% and were due in semi-annual interest only payments until September 2018, when annual principal payments commenced. The bonds have a maturity date September 2030 and are secured by property and assignment of revenues.

Under the terms of the revenue bonds loan agreements, the Hospital is required to maintain certain deposits with a trustee. Such deposits are included with restricted investments in the financial statements. The loan agreement also places limits on the incurrence of additional borrowings and requires that the Hospital satisfy certain measures of financial performance. As of December 31, 2025, the Hospital did not meet these requirements and did not receive a waiver. The bonds are therefore considered to be in default as of December 31, 2025 and are recorded as a current liability in the December 31, 2025 financial statements.

(2) The Hospital entered into a note payable with Stafford Enterprises, LLC. The note payable has an interest rate of 6% and is due in monthly installments, including interest, of \$7,638 until December 2030. The note payable is secured by the first deed of trust encumbering the property that was purchased.

(3) The Hospital entered into a note payable with the sellers of the Wade property. The note payable has an interest rate of 6% and is due in monthly installments, including interest, of \$4,336 until November 2029. The note payable is secured by the first deed of trust encumbering the property that was purchased.

(4) On March 3, 2023, the Hospital entered into a line of credit with Alpine Bank for \$1,300,000. Interest accrues, and is payable monthly, at a rate of 8%. The borrowings are secured by a certificate of deposit. The line of credit expired December 31, 2024 and was rolled into the new line of credit with Alpine bank noted directly below.

(5) On May 9, 2024, the Hospital entered into a line of credit with Alpine Bank for \$3,500,000. Interest accrues, and is payable monthly, at a rate of 7.75%. The borrowings are secured by the revenues of the organization. The line of credit expires December 3, 2026.

Note 7 - Lease Obligations

The Hospital entered into various agreements to lease office space and medical equipment. The leases terminate at various dates through June 2032. Under the terms of the lease agreements, the Hospital pays monthly base rents ranging from \$1,234 to \$44,269.

During the years ended December 31, 2025 and 2024, the Hospital recorded approximately \$98,900 and \$112,625 in interest expense for the right to use the office space and equipment. The Hospital used a discount rate of 8% based on the incremental borrowing rate at the inception of the leases.

A summary of the changes in lease liabilities during the year ended December 31, 2025 is as follows:

	Balance December 31, 2024	Additions	Payments	Balance December 31, 2025	Due Within One Year
Lease liabilities	<u>\$ 1,686,154</u>	<u>\$ 3,229,275</u>	<u>\$ (308,805)</u>	<u>\$ 4,606,624</u>	<u>\$ 659,186</u>

A summary of the changes in lease liabilities during the year ended December 31, 2024 is as follows:

	Balance December 31, 2023	Additions	Payments	Balance December 31, 2024	Due Within One Year
Lease liabilities	<u>\$ 1,880,130</u>	<u>\$ 132,956</u>	<u>\$ (326,932)</u>	<u>\$ 1,686,154</u>	<u>\$ 312,633</u>

Remaining obligations associated with the leases are as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 659,186	\$ 235,379
2027	821,569	191,262
2028	825,943	145,311
2029	872,340	96,247
2030	578,889	57,152
2031 - 2035	<u>848,697</u>	<u>31,165</u>
	<u>\$ 4,606,624</u>	<u>\$ 756,516</u>

Note 8 - Subscription-Based Information Technology Arrangements (SBITAs)

The Hospital has entered into a SBITA contract for a subscription-based technology arrangement. The Hospital is required to make principal and interest payments through 2033. The subscription liability was valued using a discount rate of 8% based on the incremental borrowing rate at the inception of the SBITA contract. The Hospital has a credit with the SBITA vendor that results in no principal or interest payments starting January 2025 through December 2026.

Delta County Memorial Hospital

Notes to Financial Statements

December 31, 2025 and 2024

A summary of the changes in subscription IT liabilities during the year ended December 31, 2025 and December 31, 2024 is as follows:

	Balance December 31, 2024	Additions	Payments and modifications	Balance December 31, 2025	Due Within One Year
Subscription IT Liabilities	<u>\$ 1,073,108</u>	<u>\$ -</u>	<u>\$ (30,223)</u>	<u>\$ 1,042,885</u>	<u>\$ -</u>
	Balance December 31, 2023	Additions	Payments	Balance December 31, 2024	Due Within One Year
Subscription IT Liabilities	<u>\$ 1,280,699</u>	<u>\$ -</u>	<u>\$ (207,591)</u>	<u>\$ 1,073,108</u>	<u>\$ -</u>

Remaining principal and interest payments on subscriptions are as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ -	\$ -
2027	109,074	81,630
2028	117,651	73,053
2029	127,639	63,065
2030	138,233	52,471
2031 - 2035	<u>550,288</u>	<u>86,953</u>
	<u>\$ 1,042,885</u>	<u>\$ 357,172</u>

Note 9 - Pension Plan

The Hospital has a defined contribution 403(b) profit-sharing plan that substantially covers all employees over 21 that have completed one year of service. Pension expense is recorded for the amount of the Hospital's required contributions, determined in accordance with the terms of the plan. The plan is administered by Cuna Mutual. The plan provides retirement and death benefits to plan members and their beneficiaries. Benefit provisions are contained in the plan document and were established and can be amended by action of the Hospital's governing body. The annual employer contributions require board approval each year. Contributions made by the Hospital totaled \$957,570 during 2025 and \$463,900 during 2024. Matching contributions and employer contributions become vested under a three-year vesting schedule, in which no funds are considered vested until three years of vesting has been completed. If employment is terminated before becoming fully invested, employees are entitled to a distribution of their fully vested benefits. Non-vested benefits will be forfeited.

Note 10 - Concentration of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of receivables from third-party payors and patients at December 31, 2025 and 2024 was as follows:

	2025	2024
Medicare	37%	37%
Medicaid	8%	10%
Other third-party payors	42%	39%
Patients	13%	14%
	<u>100%</u>	<u>100%</u>

Note 11 - Contingencies**Risk Management**

The Hospital is exposed to various risks of loss from torts; theft of, damage, of assets; business interruptions; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than employee health claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Malpractice Insurance

The Hospital purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. The limits of the malpractice insurance are \$1 million per claim with an annual aggregate limit of \$3 million. The Hospital also has an umbrella liability insurance policy that provides additional protection on a claims-made basis subject to a limit of \$5 million. Should the claims made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, would be uninsured.

Litigation, Claims, and Disputes

The Hospital is subject to the usual contingencies in the normal course of operations relating to the performance of its tasks under its various programs. In the opinion of management, the ultimate settlement of any litigation, claims, and disputes in process will not be material to the financial position, operations, or cash flows of the Hospital.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Federal government activity with respect to investigations and allegations concerning possible violations by health care providers of regulations could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues from patient services.

Self-Funded Health Plan

The Hospital is self-funded for health benefits for eligible employees and their dependents. The Hospital, in connection with this plan, recognizes health benefit expenses on an accrual basis. An accrued liability is recorded at year-end which estimates the incurred by not reported claims that will be paid by the Hospital. The Hospital has stop loss insurance to cover catastrophic claims in excess of \$200,000 per claim and an annual aggregate limit of \$6.1 million for the plan year ended December 31, 2025.

During the year ended December 31, 2023, the Hospital revised their policy for the self-funded health plan. Any employees on the self-funded health plan that received services at the Hospital no longer have to pay for the services they receive. The Hospital expenses amounts representing the employer's portion of actual claims paid, adjusted for the estimates of liabilities relating to claims resulted from services provided prior to the fiscal year end not to exceed the annual aggregate expense. The estimated liability is included in accrued employee benefits on the statements of net position. These amounts have been estimated based on historical trends and actuarial analysis. Changes in the balance of claims liabilities during the past two years are as follows:

Year	Beginning Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Liability
2025	\$ 775,000	\$ 14,123,007	\$ (13,685,207)	\$ 1,212,800
2024	433,712	8,443,847	(8,102,559)	775,000

Note 12 - Presentation of Component Unit

The following summarizes combining information for the Hospital and Foundation which has been presented as a blended component unit, as of and for the years ended December 31, 2025 and 2024.

Statement of net position as of December 31, 2025:

	Hospital	Foundation	Combined
Assets			
Current assets	\$ 27,536,857	\$ 1,076,383	\$ 28,613,240
Noncurrent cash and investments	1,101,029	10,026	1,111,055
Capital assets, net of accumulated depreciation	26,716,719	-	26,716,719
Total assets	\$ 55,354,605	\$ 1,086,409	\$ 56,441,014
Liabilities			
Current liabilities	\$ 22,446,774	\$ -	\$ 22,446,774
Long-term liabilities	6,863,211	-	6,863,211
Total liabilities	29,309,985	-	29,309,985
Deferred Inflow of Resources	360,955	-	360,955
Net Position			
Net investment in capital assets	13,404,282	-	13,404,282
Restricted - expendable	1,101,029	321,150	1,422,179
Unrestricted	11,178,354	765,259	11,943,613
Total net position	25,683,665	1,086,409	26,770,074
Total liabilities, deferred inflow of resources, and net position	\$ 55,354,605	\$ 1,086,409	\$ 56,441,014

Delta County Memorial Hospital

Notes to Financial Statements

December 31, 2025 and 2024

Operating results and changes in net position for the year ended December 31, 2025:

	Health Center	Foundation	Eliminations	Combined
Operating Revenues				
Net patient services revenue	\$ 116,646,728	\$ -	\$ -	\$ 116,646,728
Other operating revenues	1,816,897	-	(65,000)	1,751,897
Total operating revenues	118,463,625	-	(65,000)	118,398,625
Operating Expenses				
Depreciation and amortization	2,975,861	-	-	2,975,861
Other operating expenses	124,354,536	874,541	(727,444)	124,501,633
Total operating expenses	127,330,397	874,541	(727,444)	127,477,494
Operating Loss	(8,866,772)	(874,541)	662,444	(9,078,869)
Nonoperating Revenues, Net	4,773,954	283,488	(662,444)	4,394,998
Change in Net Position	(4,092,818)	(591,053)	-	(4,683,871)
Net Position, Beginning of Year	29,776,483	1,677,462	-	31,453,945
Net Position, End of Year	\$ 25,683,665	\$ 1,086,409	\$ -	\$ 26,770,074

Cash flows for the year ended December 31, 2025:

	Health Center	Foundation	Combined
Net Cash Used for Operating Activities	\$ (6,124,072)	\$ (874,541)	\$ (6,998,613)
Net Cash from Noncapital Financing Activities	9,017,953	260,196	9,278,149
Net Cash Used for Capital and Related Financing Activities	(2,898,129)	-	(2,898,129)
Net Cash from Investing Activities	2,133,284	23,292	2,156,576
Net Change in Cash and Cash Equivalents	2,129,036	(591,053)	1,537,983
Cash and Cash Equivalents, Beginning of Year	1,507,203	1,667,436	3,174,639
Cash and Cash Equivalents, End of Year	\$ 3,636,239	\$ 1,076,383	\$ 4,712,622

Delta County Memorial Hospital

Notes to Financial Statements

December 31, 2025 and 2024

Statement of net position as of December 31, 2024:

	Hospital	Foundation	Combined
Assets			
Current assets	\$ 24,337,255	\$ 1,667,436	\$ 26,004,691
Noncurrent cash and investments	1,112,649	10,026	1,122,675
Capital assets, net of accumulated depreciation	24,849,608	-	24,849,608
Other assets	4,845,636	-	4,845,636
Total assets	\$ 55,145,148	\$ 1,677,462	\$ 56,822,610
Liabilities			
Current liabilities	\$ 19,569,876	\$ -	\$ 19,569,876
Long-term liabilities	5,454,272	-	5,454,272
Total liabilities	25,024,148	-	25,024,148
Deferred Inflow of Resources	344,517	-	344,517
Net Position			
Net investment in capital assets	14,248,763	-	14,248,763
Restricted - expendable	1,112,649	321,150	1,433,799
Unrestricted	14,415,071	1,356,312	15,771,383
Total net position	29,776,483	1,677,462	31,453,945
Total liabilities, deferred inflow of resources, and net position	\$ 55,145,148	\$ 1,677,462	\$ 56,822,610

Operating results and changes in net position for the year ended December 31, 2024:

	Health Center	Foundation	Eliminations	Combined
Operating Revenues				
Net patient services revenue	\$ 102,993,105	\$ -	\$ -	\$ 102,993,105
Other operating revenues	2,284,239	-	(55,000)	2,229,239
Total operating revenues	105,277,344	-	(55,000)	105,222,344
Operating Expenses				
Depreciation and amortization	2,611,456	-	-	2,611,456
Other operating expenses	109,587,068	206,416	(55,000)	109,738,484
Total operating expenses	112,198,524	206,416	(55,000)	112,349,940
Operating Loss	(6,921,180)	(206,416)	-	(7,127,596)
Nonoperating Revenues, Net	6,022,429	1,254,262	-	7,276,691
Change in Net Position	(898,751)	1,047,846	-	149,095
Net Position, Beginning of Year	30,675,234	629,616	-	31,304,850
Net Position, End of Year	\$ 29,776,483	\$ 1,677,462	\$ -	\$ 31,453,945

Delta County Memorial Hospital

Notes to Financial Statements

December 31, 2025 and 2024

Cash flows for the year ended December 31, 2024:

	Health Center	Foundation	Combined
Net Cash Used for Operating Activities	\$ (5,306,703)	\$ (206,416)	\$ (5,513,119)
Net Cash from Noncapital Financing Activities	5,026,413	1,223,775	6,250,188
Net Cash Used for Capital and Related Financing Activities	(3,476,210)	-	(3,476,210)
Net Cash from Investing Activities	1,546,463	30,487	1,576,950
Net Change in Cash and Cash Equivalents	(2,210,037)	1,047,846	(1,162,191)
Cash and Cash Equivalents, Beginning of Year	3,717,240	619,590	4,336,830
Cash and Cash Equivalents, End of Year	<u>\$ 1,507,203</u>	<u>\$ 1,667,436</u>	<u>\$ 3,174,639</u>

Note 13 - Financial Condition

The Hospital's consolidated financial statements have been prepared assuming the Hospital will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The Hospital experienced overall operating losses of \$9,078,869 for the year ended December 31, 2025 and \$7,127,596 for the year ended December 31, 2024. Days cash on hand also decreased to 7.6 days at December 31, 2025 from 8.1 days at December 31, 2024.

The Hospital completed reviewing payer contracts to make certain that payers are reimbursing based on the terms of their managed care contracts. The Hospital is also in the process of completing a chargemaster review and pricing analysis to make certain that charges are properly accounted for and priced appropriately. In addition, the Hospital parted ways with its self-funded health benefits broker which is expected to result in substantial savings. The Hospital continues to look for opportunities to make certain the Hospital's cost structure adequately and effectively supports the clinical services driving the revenue growth while maintaining high quality patient outcomes in a safe environment.

The consolidated financial statements do not include any adjustments to reflect the possible future effects on the profitability and classification of assets and the amounts and classification of liabilities that may result from the possible inability of the Hospital to continue as a going concern.

Supplementary Information
December 31, 2025

Delta County Memorial Hospital

Delta County Memorial Hospital
Schedule of Budgeted and Actual Revenues and Expenses – Hospital Only
Year Ended December 31, 2025

	Actual	Budgeted	Favorable (Unfavorable) Variance
Operating Revenues			
Net patient service revenue	\$ 116,646,728	\$ 111,395,059	\$ 5,251,669
Other	1,816,897	339,716	1,477,181
	<u>118,463,625</u>	<u>111,734,775</u>	<u>6,728,850</u>
Operating Expenses			
Salaries, wages, and employee benefits	70,814,572	62,288,648	(8,525,924)
Other	56,515,825	53,229,852	(3,285,973)
	<u>127,330,397</u>	<u>115,518,500</u>	<u>(11,811,897)</u>
Operating Income (Loss)	(8,866,772)	(3,783,725)	(5,083,047)
Nonoperating Revenues (Expenses), Net	<u>4,773,954</u>	<u>4,791,644</u>	<u>(17,690)</u>
Change in Net Position	<u>\$ (4,092,818)</u>	<u>\$ 1,007,919</u>	<u>\$ (5,100,737)</u>

Notes to Schedule

1. Annual budgets are adopted as required by Colorado Statutes. Formal budgetary integration is employed as a management control device during the year. Budgets are adopted on a basis that is consistent with generally accepted accounting principles.
2. Appropriations are adopted by resolutions in total.
3. Management believes that the Hospital is compliant with the rules of Colorado's Taxpayer's Bill of Rights (TABOR).



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors
Delta County Memorial Hospital
d/b/a Delta Health
Delta, Colorado

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Delta County Memorial Hospital d/b/a Delta Health (Hospital) as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements, and have issued our report thereon dated May 29, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hospital's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital'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 Hospital'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 over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses, as items 2025-001, 2025-002, and 2025-003 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital'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*.

The Hospital's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Hospital's responses to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The Hospital's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 Hospital'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 Hospital's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Fargo, North Dakota
May 29, 2026

2025-001 Preparation of Financial Statements
Material Weakness in Internal Control over Financial Reporting

Criteria – A good system of internal accounting control should provide for the preparation of the financial statements and related footnotes that are materially correct in accordance with generally accepted accounting principles.

Condition – The Hospital does not have an internal control system designed to provide for the preparation of the financial statements and related footnotes being audited in accordance with generally accepted accounting principles. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

Cause – This deficiency is partially due to the limited resources in the financial reporting process due to budgetary constraints.

Effect – Inadequate controls over financial reporting could result in the Hospital not being able to draft financial statements and accompanying footnotes that are materially correct without the assistance of the auditors.

Recommendation – This circumstance is not unusual in small organizations. It is the responsibility of management, and those charged with governance, to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of Responsible Officials – Management agrees with the finding.

2025-002 Material Audit Adjustments
Material Weakness in Internal Control over Financial Reporting

Criteria – A good system of internal accounting control contemplates an adequate system for recording and processing entries significant to the financial statements.

Condition – During the course of our engagement, we proposed material audit adjustments to the financial statements that were not identified by management.

Cause – We proposed material audit adjustments to several areas throughout the audit. The need for these adjustments may indicate that the Hospital's interim financial statements may be misstated, which could affect management's decisions throughout the year.

Effect – The deficiency resulted in material misstatements to the financial statements that were not prevented, or detected and corrected, by internal personnel in a timely manner.

Recommendation – We recommend that management reflect all entries in the financial statements to ensure that the Board of Directors has all relevant information.

Views of Responsible Officials – Management agrees with the finding.

2025-003 Limited Segregation of Duties
Material Weakness in Internal Control over Financial Reporting

Criteria – A good system of internal accounting control contemplates an adequate of segregation of duties so that no one individual handles a transaction from inception to completion.

Condition – The Hospital has a lack of segregation of duties in certain areas due to a limited staff.

Cause – The Hospital's size and budget constraints limit the number of personnel and does not facilitate the segregation of duties necessary to adequately separate procedures.

Effect – Inadequate segregation of duties could adversely affect the Hospital's ability to detect and correct misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

Recommendation – This circumstance is not unusual in smaller organizations. It is the responsibility of management, and those charged with governance, to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of Responsible Officials – Management agrees with the finding.